Keeping long-term goals in focus requires a strategic vision and a disciplined approach

bcimc Investment Management Corporation

Annual Report 2008 | 2009

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The financial crisis begins unfolding in July 2007 when investors start to lose confidence in hedge funds, derivatives, and the values of underlying assets such as mortgages and houses. Many begin to question the use of derivatives and leverage. As U.S. house prices decline, so does the value of numerous derivatives and the portfolios of institutions holding them. Liquidity pressures heighten, as do concerns over counterparty risk. Credit conditions tighten as liquidity begins to dry up. Bear Stearns collapses in March 2008, marking the end of the 85-year old investment bank and a frightening moment for the capital markets.

global markets in turmoil

bcIMC Investment Management Corporation

Peaks and troughs within the global capital markets are inevitable, but investors around the world experienced unprecedented market volatility in 2008. Anxious investors witnessed plummeting equities, frozen credit markets, and the collapse of many financial institutions as a result of excessive leverage. Investors cannot be insulated from market movements. However, bcIMC's diversified and disciplined approach to investment, combined with proper due diligence and a long-term focus, helps to protect our clients' capital while also minimizing the impact of economic and market downturns.

APRIL 1, 2008-JUNE 30, 2008

With rising equity prices and some thawing of credit markets, investors believe the worst of the credit crunch is over. Oil prices begin to soar, peaking at U.S.$147 per barrel as investors favour commodities. Soaring oil prices renew fears of slower economic growth, and markets begin to retreat in June.

JULY 1, 2008-SEPTEMBER 30, 2008

The credit crisis takes a turn for the worse. Bank liquidity, solvency concerns, and worries about the survival of U.S. mortgage giants Fannie Mae and Freddie Mac cause credit spreads to soar. Bank of America announces its intent to purchase Merrill Lynch & Co. for U.S.$50 billion, and Lehman Brothers (founded in 1850) files for bankruptcy protection. JPMorgan Chase acquires the banking operations of Washington Mutual (founded in 1889). Goldman Sachs and Morgan Stanley become bank holding companies.

OCTOBER 1, 2008-DECEMBER 31, 2008

World leaders begin to coordinate their efforts to steady global markets. Governments of Britain, Germany, and the U.S. recapitalize major banks. State guarantees on bank deposits and interbank lending are raised, and fiscal stimulus packages are announced. As the crisis deepens, investors seek shelter in stronger currencies and the U.S. dollar rises against most other currencies. Countries such as Iceland, Hungary, and Ukraine request financial aid from the International Monetary Fund to enable them to backstop their banks. G-20 members call for the reform of the global financial system.

JANUARY 1, 2009-MARCH 31, 2009

The global economy is in the deepest recession since the Second World War and government bailouts mount. Automakers and their unions appeal for government assistance to avoid bankruptcy or liquidation. President Obama proposes a federal spending bill of almost U.S.$800 billion, and Canada announces a $40 billion stimulus package. Political instability increases as people in China, France, Greece, Iceland, Russia, and Britain protest their governments' economic plans. There are increased concerns that the global financial crisis will threaten international stability. Almost unnoticed, global equity markets begin to rally in March.

THE MSCI WORLD INDEX

having a long-term investment perspective on our clients' capital

The majority of our clients are pension funds with obligations that may exceed 30 years. As their investment manager, bcIMC adopts a long-term perspective and seeks investment opportunities that will help clients meet these obligations. Our long-term view determines our investment approach and activities, as well as the products we offer our clients.

We manage 68 pooled investment portfolios with investment strategies that cover all major asset classes. Our investment products are designed with a medium to long-term investment horizon in mind and we favour investments that can be held for long periods.

Investments range from tangible assets such as land, buildings, and infrastructure, to bonds with terms to maturity in excess of 30 years and public equities of quality companies. On the private equity side, we invest in assets with strong earnings potential and with the ability to generate stable and reliable cash flows – either as interest, dividends, or capital gains over an extended period. Our mortgage activity includes construction loans scheduled to mature within five years, while longer fixed-term mortgages may also be held.

Equity investing follows a buy-and-hold approach, and our real asset investments may be held for periods extending beyond 20 years.

Potential investments are carefully analyzed to ensure that returns are sustainable over the duration of the investment period. This pre-investment analysis requires an understanding of the business, its strengths and weaknesses, the quality of its management, as well as its capital requirements and risks. Our due diligence also involves an assessment of the industry structure, sector trends, and the wider economy.

Seeking long-term returns over the business cycle that meet our clients' objectives

Our view is that environmental, social, and governance (ESG) issues directly affect long-term investment returns. As a result, we are active equity owners and encourage positive ESG practices through our proxy voting decisions, direct engagement with companies, and interactions with regulators and policymakers. Our real estate program incorporates responsible property investing initiatives such as responsible building design, retrofits, and energy efficiency technology. We are also moving to expand our environmental and governance initiatives to include our private equity investments.

our
responsible property investing initiatives are driven by:

economic value
Energy efficiencies reduce operating and maintenance costs and can have a positive impact on the income return of the asset;

consumer interest
Tenants are increasingly asking property owners to address sustainability issues;

client demand
Our clients value responsible investing practices; and

community benefits
Sustainable buildings benefit both the tenants and the local community.

OUR ESG ENGAGEMENT INVOLVES:

- VOTING AT SHAREHOLDER MEETINGS OF PUBLIC COMPANIES;
- MEETING WITH MANAGEMENT AND DIRECTORS;
- CORRESPONDING WITH COMPANY CHAIRS AND CEOS;
- COLLABORATING WITH LIKE-MINDED INVESTORS; AND
- LOBBYING GOVERNMENTS AND REGULATORY BODIES.

bcIMC Investment Management Corporation

bcIMC's Disciplined Approach is key to meeting our clients' investment objectives. Delivering investment performance over the long-term requires having the right people and the right processes in place. The right people starts with building a solid investment team of in-house and external investment professionals, and supporting the team with state-of-the-art technology. It also includes our working partnerships with our clients. As our clients play an integral role in the investment process, client servicing is a core component of bcIMC's culture. Finally, our investment processes are designed to protect our clients' capital and manage risk at the highest level. Further details of these aspects are provided on pages 4 to 9.

an investment team with a global reach

Located in Victoria on Vancouver Island, British Columbia, bcIMC is among the largest Canadian institutional investors in the global capital markets. Of the $74.5 billion of assets under bcIMC's management, almost $23 billion is in international investments, ranging from public equity holdings in developed and emerging markets, to private equity interests in the United Kingdom, to commercial real estate in Mexico.

Our primary goal is to seek investment opportunities that provide our clients with the long-term returns that they require to meet their future obligations. In doing so, bcIMC has assembled a skilled and experienced team of in-house professionals and external global advisors to address our clients' investment objectives.

bcIMC has a diverse team of 147 people from a variety of professions including investment, actuarial, economic, accounting, legal, information technology, and administration. This diversity provides bcIMC with the breadth of talent, capabilities, and experience necessary for managing our clients' assets within a competitive and challenging environment. Our investment team ranges from individuals with careers that have spanned a number of decades to those who have recently entered the investment world.

bcIMC'S INVESTMENT CAPABILITIES ARE SUPPORTED BY OVER 35 IT-BASED PROCESSES AND APPLICATIONS. FROM TRADING, FINANCIAL TRANSACTION MANAGEMENT, AND RISK EXPOSURE, TO HUMAN RESOURCES AND ACCOUNTING AND PAYROLL SUPPORT, OUR STAFF USE COMPREHENSIVE AND STATE-OF-THE-ART TECHNOLOGICAL TOOLS. INFORMATION SYSTEMS DIFFERENTIATE bcIMC'S PRODUCTS AND SERVICES AND ARE INTEGRAL IN OUR INVESTMENT PROCESSES.

ABOUT 39 PER CENT OF OUR CLIENTS' ASSETS ARE MANAGED WITH THE ASSISTANCE OF 107 INVESTMENT SPECIALISTS AROUND THE WORLD. OUR PROCESSES FOR SELECTING MANAGERS ARE THOROUGH AND INVOLVE EXTENSIVE RESEARCH OF THE INVESTMENT TEAM AND THEIR STYLES, PROCESSES, AND RESULTS. AS DIVERSIFICATION IS NEEDED FOR CONSISTENT LONG-TERM RETURNS, WE CONSIDER DIVERSITY OF INVESTMENT STYLES AND STRATEGIES FOR OUR PUBLIC EQUITY, PRIVATE PLACEMENTS, AND REAL ESTATE ASSETS. WE CONDUCT EXTENSIVE DUE DILIGENCE USING QUANTITATIVE TOOLS AND ALSO VISIT THE OFFICES OF POTENTIAL NEW MANAGERS TO OBSERVE THEIR PROCESSES AND INTERACT WITH THE INVESTMENT TEAM. ONCE SELECTED, WE MAINTAIN A CLOSE RELATIONSHIP WITH OUR EXTERNAL MANAGERS. WE CONSTANTLY REVIEW ALL ASPECTS OF OUR RELATIONSHIPS TO ENSURE THAT THEY CONTINUE TO MEET OUR CLIENTS' NEEDS. OUR SIZE AND REPUTATION ALLOWS bcIMC TO SELECT THE BEST ASSET MANAGERS AVAILABLE IN THE WORLD TODAY (SEE PAGE 75)

Bringing together an experienced team using the best support systems and processes

Continuous training and professional development is a key component of our human resource practices. We promote a culture of lifelong learning and support the relevant learning endeavours of our staff. We continue to support staff enrolled in designation programs such as the Chartered Financial Analyst, the Chartered Alternative Investment Analyst, and the various accounting designations. In addition, the collaboration of our senior and junior professionals on investment initiatives allows for the intergenerational transfer of knowledge over the long-term.

Investment management also depends on quality technology. In an increasingly competitive and global investment environment, information systems provide timely information and track trends that enhance analysis, performance management, risk measurement, and communications. At bcIMC, we continually invest in automation and proven technology to support our daily investment operations.

our values

respect
We treat others with courtesy, professionalism, and dignity

integrity
We act fairly and ethically in all our dealings

honesty
We are sincere and candid in our accountability to clients and other stakeholders

trust
We earn client confidence by acting with prudence, diligence, and transparency

quality client service to build long-term partnerships

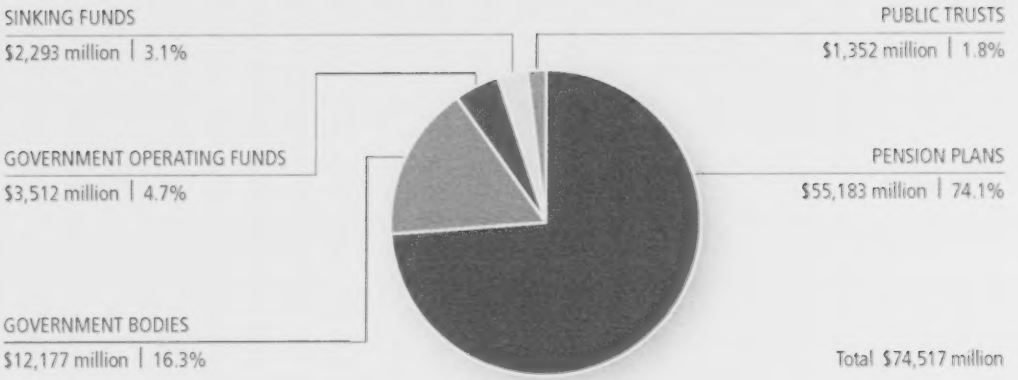
bcIMC's primary focus is to ensure our clients meet their investment objectives. Our clients include public sector pension plans, the Province of British Columbia, publicly administered trust funds, and public bodies. Clients have different investment needs, with mandates ranging from money market accounts to diversified portfolios.

Pension plans have long-term investment horizons and generally positive cash flows. Trustees may take greater market and liquidity risk to enhance their long-term returns and reduce costs to plan sponsors. As each plan has a unique demographic and risk profile, we typically work with a plan's actuary to prepare asset/liability studies that establish a suitable asset mix.

Government and public bodies typically have very short-term investment horizons. We manage these assets in accordance with their investment horizons, and with minimal market risk.

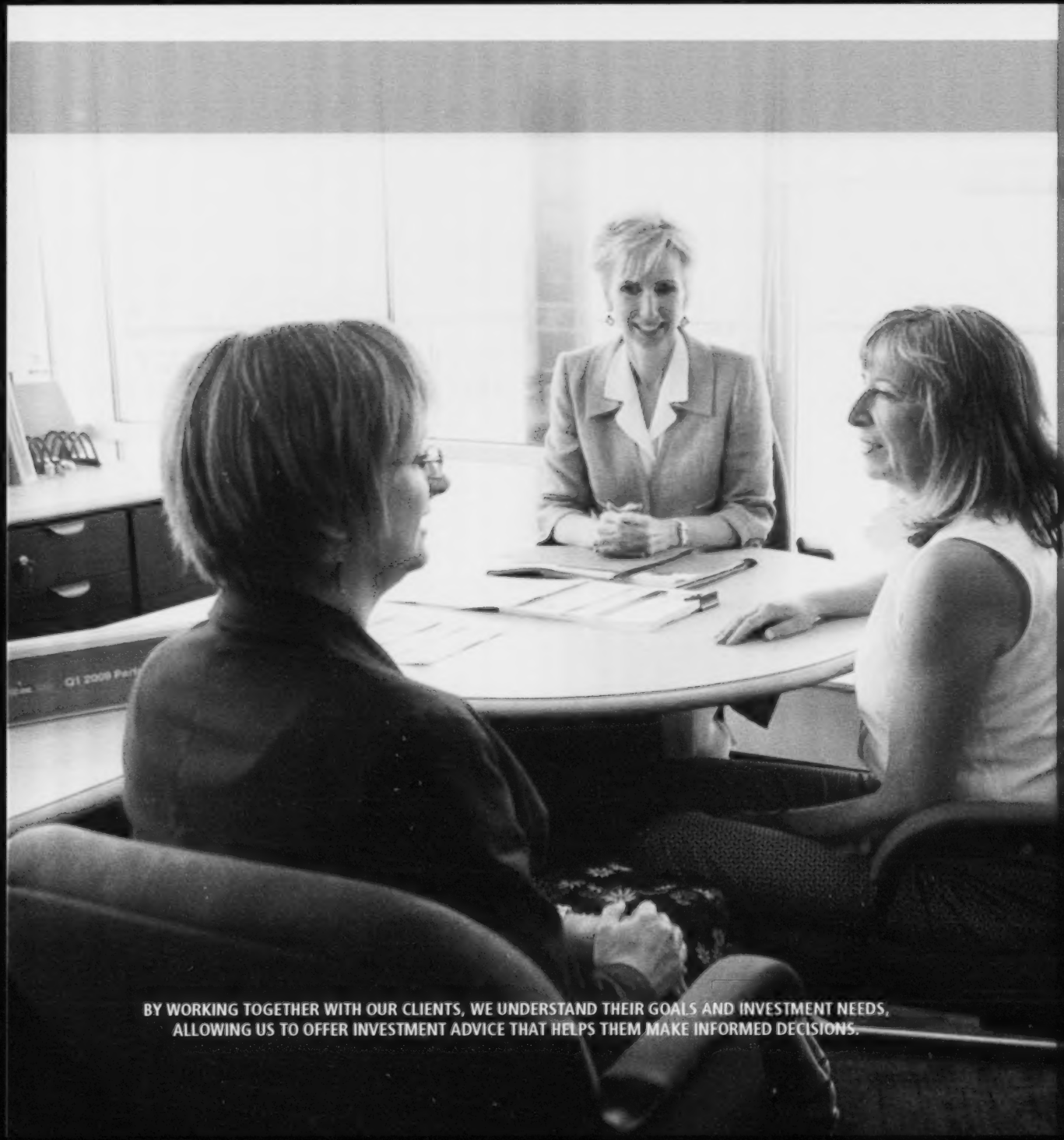
Our publicly administered trust fund clients have a range of return expectations. Some emphasize capital protection, while others give importance to short-term performance or liquidity. Investment policies are customized to suit the needs and payment obligations of each client.

Client Profile as at March 31, 2009



The governing fiduciaries of our client portfolios play a significant role in the investment process. They approve the fund's investment objectives and performance targets, eligible investments, portfolio diversification, and asset allocation – all in close consultation with bcIMC's team of investment professionals.

bcIMC is client-centric and we tailor our services according to our clients' needs. We strive to deliver investment performance, products, and services that exceed our clients' expectations. Our products are designed with our clients' best financial interests in mind and we manage their portfolios with the objective of delivering the highest return, subject to the client's risk tolerance. Where applicable, we assist clients with devising appropriate investment policies by providing objective investment advice and explaining financial issues and risks. We also engage our clients throughout the investment process on matters affecting their portfolios. Clients receive regular and comprehensive assessments of market conditions, risks, and investment performance.



BY WORKING TOGETHER WITH OUR CLIENTS, WE UNDERSTAND THEIR GOALS AND INVESTMENT NEEDS, ALLOWING US TO OFFER INVESTMENT ADVICE THAT HELPS THEM MAKE INFORMED DECISIONS.

A comprehensive portfolio of services tailored according to individual clients

INVESTMENT CONSULTING:

- ASSET LIABILITY STUDIES
- ECONOMIC AND MARKET ANALYSIS
- INVESTMENT ADVICE
- INVESTMENT POLICY ANALYSIS
- LEGAL, REGULATORY, AND POLICY COMPLIANCE

INVESTMENT MANAGEMENT:

- ASSET MIX MANAGEMENT
- CURRENCY HEDGING AND OVERLAY
- PORTFOLIO MANAGEMENT
- TRADE EXECUTION
- SECURITY LENDING
- MANAGING EXTERNAL MANAGERS
- SETTLEMENT AND CUSTODY OF SECURITIES

INVESTMENT MANAGEMENT AND ADMINISTRATION:

- CASH MANAGEMENT SERVICES
- INVESTMENT ACCOUNTING AND REPORTING
- PERFORMANCE REPORTING
- RESPONSIBLE INVESTING REPORTING

RISK MANAGEMENT:

- CREDIT REVIEWS AND MONITORING
- RISK ANALYSIS AND MEASUREMENT

CORPORATE GOVERNANCE:

- ENGAGEMENT
- PROXY VOTING
- CAPITAL MARKETS ADVOCACY

INVESTMENT EDUCATION:

- NEW TRUSTEE ORIENTATION
- TRUSTEE CONFERENCES
- TRUSTEE SEMINARS AND EVENTS

acting prudently and exercising good judgment

Prudent management of our clients' assets begins by determining the appropriate asset allocation and setting investment policies to implement that long-term strategy. The investment framework depends on our clients' financial position, their return objectives, and their risk tolerance. Our clients' decisions establish policy benchmarks and a framework within which we apply our investment discipline in the management of their funds.

Our discipline is based on our obligation to work in our clients' best financial interests. It begins with understanding our clients' needs and involves prudent decision-making over the long-term. We manage our clients' assets by determining the appropriate holdings and pacing investment activity to reach target allocations. We believe in taking profits even when optimism continues to be high. Maintaining the discipline over the long-term helps protect portfolios from the effects caused by rapid changes in investor sentiment. We are conservative in the implementation of our clients' mandates – we do not short sell equities, we make limited use of leverage, and we only use derivatives for cash management purposes.

Diversifying investments across different asset classes and regions reduces risk. bcIMC offers fund management services for all major asset classes, including currencies and infrastructure. Our investment approach uses a combination of internal and external portfolio managers. Diversification of funds also includes complementary management styles, giving client portfolios some resilience during market cycles. With 30.5 per cent of assets invested beyond our borders, bcIMC is also a global investor.

Our due diligence processes involve pre-investment analysis and post-investment monitoring and are tailored for each asset class. Before investing in a private company, we evaluate its financial and commercial prospects, including legal, environmental, and tax issues. Post-investment monitoring includes the review of periodic reports and financial statements, interactions with company management and co-investors, and where appropriate, bcIMC officials or our delegates serve as board directors.

Regional Allocation of Assets under Administration
($ million) as at March 31, 2009

Managing risk and protecting capital is an ongoing process rather than a specific result

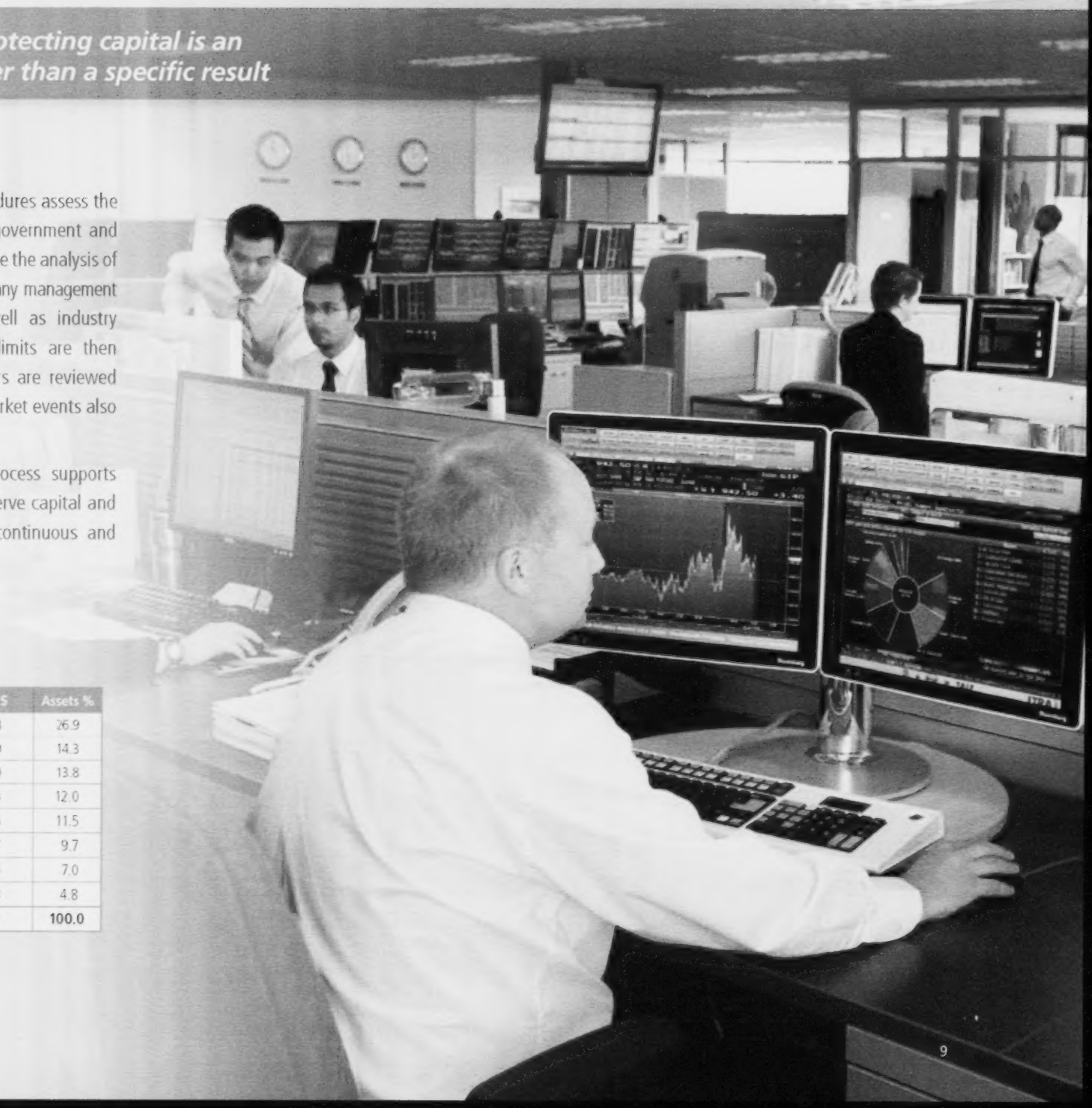
By contrast, our fixed income procedures assess the default and credit rating risks of government and corporate issuers. Our reviews include the analysis of credit metrics, discussions with company management and credit rating agencies, as well as industry research. Once approved, credit limits are then established. Post-investment, issuers are reviewed on a quarterly and annual basis. Market events also trigger reviews.

bcIMC's full-service investment process supports our fiduciary role to prudently preserve capital and manage risk. Our processes are continuous and involve all areas of bcIMC.

Assets under Administration

($ million for the year ended March 31, 2009)

	Assets $	Assets %
Bonds	20,008	26.9
Real Estate	10,659	14.3
Canadian Equities	10,260	13.8
U.S. Equities	8,974	12.0
International Equities	8,536	11.5
Short-Term Securities	7,237	9.7
Private Placements	5,245	7.0
Mortgages	3,598	4.8
Total	**74,517**	**100.0**



message from the chair

bcIMC's governance model is designed to facilitate stakeholder involvement and to increase accountability to clients.

The Corporation has its own board of directors, and the governing fiduciaries of client pension and trust funds have oversight of investment activities.

bcIMC's investment discipline focuses on adding long-term value to clients' assets and smoothing out periods of volatility such as we are currently experiencing. As a board, we are responsible for ensuring that bcIMC has the necessary people, processes, and infrastructure to achieve steady performance over time and to remain disciplined during challenging operating environments. Consequently, the Board focuses on operational issues such as risk management, costs and efficiency, human resources, and succession planning.

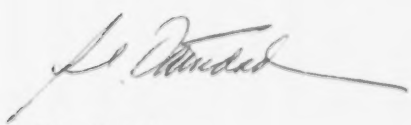
The Board also believes it is important for our clients to be well-informed about investment issues and to have the products they need to achieve their investment objectives. Throughout this volatile period, bcIMC has worked closely with our clients in explaining market events and responding to queries about the possible impact of this financial crisis on long-term performance. The Board reviews and approves the investment policy for each pooled investment portfolio; however, legislation prohibits directors from getting involved in the investment decisions of these portfolios. This year the Board approved the investment policies for the Active Global Equity and Global Government Bond funds. These new investment products will be made available to clients during the course of 2009.

Investing involves taking on market risk to generate superior returns. However, clients are not rewarded for exposure to operational, legal, and environmental risks. During the year the Board and Audit Committee reviewed the Enterprise-Wide Risk Framework and reporting practices. We also approved the Credit Risk Framework which now formalizes the management of credit risk throughout the corporation. On a practical level, we can assert that bcIMC has a culture of risk awareness. This explains why bcIMC avoided the pitfalls of asset-backed commercial paper and leveraged financial derivatives. bcIMC has well-defined and active risk management processes that are supported by board directors who have diligently exercised their risk management oversight.

Investment management costs are an important aspect of overall investment returns, especially in periods when returns are very low. A key responsibility of the Board is to review and approve bcIMC's multi-year business plan and budget. bcIMC operates on a cost recovery basis and our economies of scale allow us to charge lower fees than our peer group. Operating costs for bcIMC in fiscal 2009 were $116.8 million, or 14.6 cents per $100 of assets.

As we enter a period of low expected investment returns, our key challenge is meeting our clients' investment objectives. Our business plan recognizes that traditional asset classes such as public equities are not providing the necessary returns. bcIMC's investment activity will increasingly favour real assets and be more globally diversified. Our strategic direction requires that we supplement existing, and add new, expertise. In this past year, the Board approved the resources for 10 new positions.

While 2008 was an incredibly volatile and difficult year, the Board of Directors wishes to extend our thanks to bcIMC's clients for entrusting us with their money. We also wish to thank all of the staff at bcIMC for their continued professionalism and dedication to the disciplined management of our clients' assets in the face of daunting events.



Sid Fattedad
Chair

bcIMC report from the ceo/cio

It was a year in which a monumental global financial crisis wiped out over U.S.$40 trillion[1] in value and sunk global economies into the worst recession experienced in almost 60 years.

The year was characterized by frozen credit markets, plummeting equity markets, unprecedented government intervention, and investor anxiety and apprehension.

We now know that lax lending practices and excessive risk-taking ignited the global crisis. But looking back, there were other signs that the financial system was not as sound as it should have been. Deregulation of the financial markets allowed for the proliferation of complex and opaque financial instruments. The lack of transparency and miscalculation of the risk of unregulated products such as collateralized debt obligations also added to the problem. The design of compensation plans also encouraged excessive risk-taking. Plain, old-fashioned greed and questionable ethics contributed to the crisis.

[1] Alan Greenspan, February 17, 2009 – Presentation to Economic Club of New York

A year ago, the credit crisis told us that something was wrong with the capital markets and that a fundamental change was coming. Although we expected continued volatility, we did not anticipate the extent and depth of the market upheaval. During times such as these, a disciplined approach, extensive due diligence, and having a focus on long-term objectives helps in avoiding bad decisions and overreactions to short-term market movements.

In periods of stress, the task of the investment manager is to be defensive in order to preserve capital and minimize losses. Accordingly, bcIMC reduced equity exposures and increased cash, fixed income, and real estate holdings in 2008. Furthermore, we had no exposure to subprime mortgages, non-bank sponsored asset-backed commercial paper, credit default swaps, or hedge funds, and our use of leverage was limited to real estate. Despite these defensive actions, which had an overall positive impact on our clients' funds, bcIMC, like other investors, was adversely affected by the sharp decline in global asset prices.

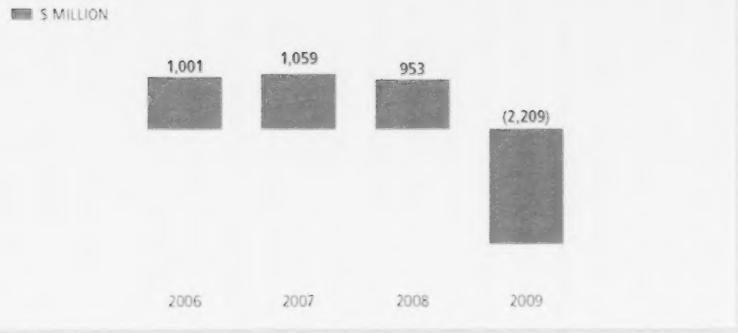
With the global markets in turmoil (as outlined on pages 1, 18, and 19), it was extremely difficult for diversified fund managers to generate positive returns; few assets were immune to the consequences of the financial crisis. The annual combined pension return, net of fees, for the year ending March 31, 2009 is -14.6 per cent compared to a combined client benchmark of -11.1 per cent. While a decline in value is concerning to us and our clients, these returns compare favourably to the results of other Canadian pension funds.

bcIMC Annualized Pension Returns*
for the periods ended March 31, 2009

* All bcIMC fund returns quoted throughout the Annual Report are net of fees.

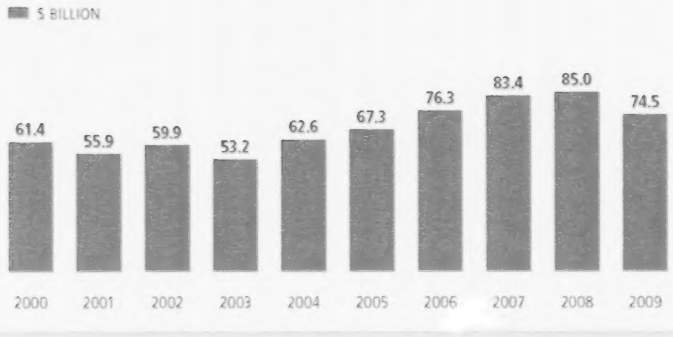
Annual Value Added by bcIMC

($ million), Total pension portfolio return minus benchmark return for the year ended March 31



Assets under Administration

($ billion) for the year ended March 31



Compared to the median universe returns that range from -16.3 per cent to -16.7 per cent, bcIMC's clients are ranked in the top 25 per cent of funds.

Nevertheless, 2008-2009 is the first time in several years that bcIMC has not met its clients' benchmarks overall. This underperformance relative to benchmark is primarily attributable to the extreme volatility in the markets and challenging conditions for all asset classes last year (as described more fully on pages 18 and 19, as well as the asset class reports). Within this context, the key factors that detracted from bcIMC's returns were:

- The significant declines in global equity markets of almost 30 per cent;
- The widening of interest rate spreads, as a result of the global credit crisis, which negatively impacted the returns from bcIMC's Canadian corporate bond holdings and Canadian commercial mortgages;
- Declining real estate and private equity valuations, caused by worsening economic fundamentals and relatively few transactions in the marketplace that could be used for comparable valuations; and
- Declining energy and material prices, which negatively impacted our core strategic Canadian investments.

Although 2008-2009 was an exceptionally disappointing year in terms of results, bcIMC's clients have achieved their return

objectives over the longer-term. When looking at the returns over a 15 year period, the annualized return, net of fees, for a bcIMC balanced pension portfolio is 7.1 per cent compared to a combined client benchmark of 7.0 per cent. bcIMC has also added value to these results. As an example, over the last four years, bcIMC has contributed over $800 million in additional value, net of fees, relative to our clients' market benchmarks.

A DISCIPLINED APPROACH TO INVESTMENT MANAGEMENT

In markets as difficult and volatile as we have experienced, discipline is all important. These events test investment philosophy. Periods of uncertainty may even tempt the questioning of the discipline and philosophy – but this is the time when they add the greatest value.

We have remained dedicated to our discipline: a solid investment team; working in partnership with our clients; protecting capital and managing risk; and investing for the long-term. This distinguishes bcIMC in the minds of our clients. I am proud of the tenacity shown by staff in sticking to our discipline while managing our clients' assets during these tough markets.

Our investment philosophy will not waver from the fundamentals of diversification, discipline, and due diligence. Diversification spreads risk among asset classes and geographic markets, and over the years we have built a portfolio of quality holdings that will add value over the long-term. Discipline involves portfolio rebalancing to reduce exposure to unexpected market developments and to increase exposure when prices are favourable. It also includes correctly assessing the asset's value and not overpaying for the asset – something that is even more critical during volatile periods. Due diligence drives our understanding of the risk/return profile of existing assets and assessments of new opportunities. There have been many occasions when our analysis caused us to walk away from potential deals. While some may consider these missed opportunities, I prefer to reflect on the negative impact our clients avoided by not holding these assets in this difficult economic period.

In the midst of this turmoil, we concluded two significant private equity transactions and continued with the implementation of initiatives that support our longer-term strategy.

Last year, I reported that bcIMC committed to a 14.1 per cent equity interest in the Washington state utility company, Puget Energy, Inc. This transaction, which closed in early 2009, provides additional regional diversification within our Strategic Investments and Infrastructure program. Likewise bcIMC's purchase of $100 million of secured convertible debentures from TimberWest Forest Corporation further diversifies the portfolio with high quality timberlands. Both investments have the potential to generate strong returns and cash flows over the longer-term.

Market conditions were ideally suited for bcIMC's mortgage program. We were able to negotiate lower-risk mortgage investments at higher credit spreads and committed $1.2 billion during the year. We also fine-tuned our domestic

real estate portfolio with the acquisition of seven properties and the completion of six developments. bcIMC currently has 11 active real estate development projects throughout Canada.

bcIMC has made a significant commitment to responsible investing, and with each year, we make progressive strides in our endeavours. In 2008 we broadened our proxy voting activity to include emerging markets such as Indonesia, the Philippines, and Turkey, while the preparation of our *Shareholder Engagement Guidelines and Priorities* provides a framework for our engagement activities. We are expanding our engagement activities to include our privately-held companies. During the year we shared bcIMC's philosophy on environmental, social, and governance matters with our private company directors.

Our longer-term strategy, prepared in 2007-2008, identified a number of key initiatives for operating in a period of low investment returns. An increased global focus is one initiative, and this year we launched the Active Emerging Markets Equity Fund and restructured three of our international equity pooled funds. The Board approved the investment policies for two new pooled fund products (the Active Global Equity and the Global Government Bond funds). Our private equity and international real estate activity included investments with exposure to the U.S., Asia, Europe, and the emerging markets.

The expansion of our in-house research capability is another strategic project that received attention. This involved the establishment of a Research and Risk Measurement department, under the leadership of Daryl Jones, and the creation of a global research platform. At the time of preparing our longer-term strategy, this was seen as a way of enhancing our own investment activities. With the collapse of financial institutions and cutbacks within the industry, building a strong in-house research capability is even more imperative. By year-end, we had developed a prototype for our research platform, and development will continue into the next fiscal year. This platform will eventually provide a central access point to data sources and investment research.

Building the bcIMC team is another strategic priority. We added 10 new positions, supplementing our existing client consulting, private equity, and corporate engagement expertise. We also said good-bye to Kim Thornber, VP, Trade Management and Compliance, after 25 years service to bcIMC and our predecessor. Kim's contribution to bcIMC will be missed, and I wish Kim success with her new adventure. bcIMC welcomed Lynn Hannah, VP, Consulting and Client Services, and Shauna Lukaitis, VP, Trade Management and Compliance, to the executive team.

I am also pleased to report that bcIMC received an unqualified audit opinion on our Section 5970 Report on Controls Over the Investment System. This report describes the controls over bcIMC's investment

system and the operational effectiveness of those controls. This rigorous and demanding initiative is a voluntary undertaking by bcIMC to demonstrate a high level of accountability to our clients. The audit opinion confirms that our clients and their auditors can have confidence in bcIMC's financial reports.

OUTLOOK

The upheaval in the capital markets has led to a global economic recession and severe deflationary pressures. There is little about the current recession that is "normal," and these difficult times are likely to continue into 2010. Investor confidence in capital markets has been severely shaken, and without a return of confidence, even well-designed public policies will be ineffective. Confidence will only be restored once there is trust in the economy, integrity within the markets, renewed faith in capitalism and government, and assurance in the effectiveness of the oversight functions of the capital markets' "watchdogs." Given the opportunity and the necessary time, the market system has the ability to cleanse and balance itself and re-establish itself as a better governed principal for economic activity.

As markets recover, we do not expect to see the double-digit returns experienced in the early 2000s when earnings were driven by easy credit and excess leverage. With hindsight these returns were not sustainable, and over the next several years, they should be in the single digits.

ACKNOWLEDGEMENTS

We are fortunate to report to a board of directors, led by Sid Fattedad, that believes in strong governance and risk management principles. I also thank our clients for their confidence in our services and for the vigorous role they play in our governance. Finally, I am proud of the team we have assembled at bcIMC, our disciplined approach, and the long-term investment performance achieved to date.

Doug Pearce

CEO/CIO

capital markets overview

With a global economic recession underway, a credit meltdown narrowly averted, a tattered global financial sector, and depressed returns from virtually all the traditional capital markets as well as alternative asset classes, 2008-2009 was a year in which survival was the name of the game.

We faced some unpleasant realities in 2008-2009, the year dubbed by the media as that of the "global financial crisis." Its roots lie in the U.S. mortgage market, where aggressive marketing and lax underwriting by U.S. mortgage lenders created an unsustainable housing boom. For the consumer, the result was declining housing values and unsustainable mortgage debt.

The boom in subprime mortgage underwriting took Main Street to Wall Street, where investment banks bundled consumer mortgages into mortgage-backed securities and then into derivative-based products. Problems in the U.S. debt and credit markets quickly spread to all global financial centres. Subprime mortgage problems exploded in the U.K. and Europe, while the banking contagion affected places as unlikely as Switzerland, the Netherlands, and Iceland. Even Canada was not immune, despite having one of the strongest banking systems in the world and generally positive economic fundamentals. As the price of oil receded from historic highs and the Canadian dollar fell sharply, international flows of capital began to rotate out of Canadian energy and resource stocks, in the fear that slowing global growth was the precursor to global recession. The result was a downward price spiral that took North American and global equity markets hostage regardless of logic or fundamentals.

From the onset of the credit crisis, both the U.S. Federal Reserve and the Bank of Canada acted aggressively to cut interest rates to unprecedentedly low levels. They also undertook non-traditional measures to offset the impact of the credit implosion and impending recession. As a result, North American interest rates fell dramatically. While the general level of administered risk-free interest rates fell, credit became scarce for many borrowers. Companies had difficulty securing short-term financing for construction projects or meeting payroll. Higher-risk borrowers faced double-digit interest rate spreads, with a corresponding decline in mergers and acquisitions and leveraged deal activity.

With a flight to quality, the value of the U.S. dollar strengthened, and most commodity prices, especially those priced in U.S. dollars, fell sharply. Oil collapsed from its peak of U.S.$147 per barrel in mid 2008 to end the year at U.S.$44.60. Gold went sideways for the entire year, but exhibited considerable volatility as investor desire for a safe haven and hedge against uncertainty waxed and waned. The Canadian dollar declined sharply against its U.S. counterpart, from U.S.$1.03 to a low of 76.59 U.S. cents in March 2009; our dollar also fell against the euro and the yen.

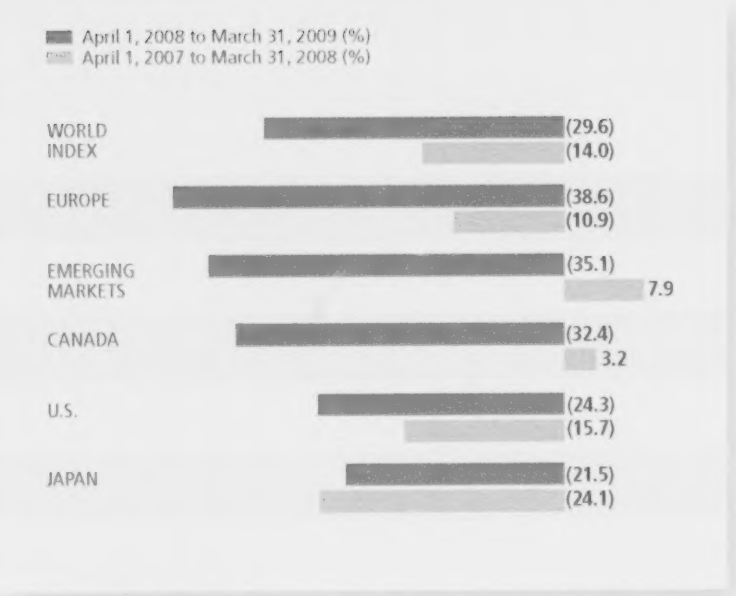
Global equity markets were hit hard by the crisis. The Canadian equity market fared modestly better than many with a -32.4 per cent return. All sectors were affected, with financials bearing much of the brunt. The large cap U.S. market performance was even worse, down 37 per cent in U.S. dollar terms for the period.

In Canadian dollar terms, the U.S. market generated a return of -24.3 per cent during 2008-2009. Global equity markets were also extremely weak. The European equity returns were -38.6 per cent while Japanese equity returns were -21.5 per cent. Emerging markets returned -35.1 per cent, as the Chinese and Indian markets pulled back after several years of strong performance.

This same return pattern emerged for alternative asset classes such as real estate, private equity, and hedge funds, which had been strong performers for several years. To a significant extent, this growth had reflected the availability of cheap money which promoted leverage and helped inflate asset prices. Long-term investments in infrastructure and related projects continued to attract financing although deal flow traffic slowed during the year.

An unintended consequence of the capital market mayhem of 2008-2009 may be that investors will question the wisdom of investment theory and practice. While there may have been no place to hide during the year, key concepts such as asset allocation, portfolio diversification, and disciplined risk management remain essential tools for investors seeking returns at a level of risk that matches their long-term investment time horizon.

Net Returns in $ for the Global Equity Markets: 2008-2009 vs. 2007-2008
Source: MSCI/FactSet



pooled fund annualized returns and benchmarks

Fixed Income

Annualized returns and benchmarks (%) for periods ended March 31, 2009. Note: Benchmarks are presented in blue. Actual pooled fund returns, net of costs, are in black.

	15 YEARS	10 YEARS	5 YEARS	3 YEARS	1 YEAR
SHORT-TERM					
Short-Term Fund One	4.1	3.5	3.2	3.6	2.3
Dex 30 Day Treasury Bill Index	3.9	3.4	3.0	3.4	1.9
Short-Term Fund Two	4.4	3.8	3.5	4.1	3.2
DEX 91 Day Treasury Bill Index	4.1	3.6	3.2	3.7	2.4
Short-Term U.S. Fund Three	3.5	1.6	2.6	6.5	24.4
Citigroup 30 Day Treasury Bill Index	3.0	1.1	2.1	5.9	23.6
Short-Term Bond Fund		5.7	4.8	6.3	7.5
DEX Short-Term Government Bond Index	6.5	5.6	4.8	6.4	7.7
MORTGAGES					
Fixed-Term Mortgage Fund		6.7	5.2	5.2	4.6
DEX Short-Term Bond Index + 1%	N/A	6.6	5.6	7.0	8.0
Construction Mortgage Fund		6.7	6.5	6.9	5.8
DEX One Year Treasury Bill Index + 1%	N/A	5.3	4.8	5.7	5.3
Mezzanine Mortgage Fund			8.6	9.5	10.3
DEX One Year Treasury Bill Index + 2.5%	N/A	6.8	6.4	7.3	6.9
BONDS					
Indexed Government Bond Fund	7.7	6.4	5.8	6.3	6.6
DEX Universe Government Bond Index	7.7	6.3	5.7	6.2	6.4
Long-Term Bond Fund		7.0	6.9	5.0	2.7
DEX Long-Term Government Bond Index	9.2	6.9	6.9	5.3	3.5
Canadian Universe Bond Fund					3.6
DEX Universe Bond Index	7.6	6.1	5.2	5.4	4.9
SINKING FUNDS[1]					
Direct Debt Sinking Fund	N/A	6.2	5.6	5.5	5.7

[1] bcIMC began liquidating the Pooled Sinking Funds in November 2007.

Equities, Private Placements, Real Estate, and Strategic Investments and Infrastructure

Annualized returns and benchmarks (%) for periods ended March 31, 2009, except where noted. Note: Benchmarks are presented in blue. Actual pooled fund returns, net of costs, are in black.

	15 YEARS	10 YEARS	5 YEARS	3 YEARS	1 YEAR
CANADIAN EQUITY					
Indexed Canadian Equity Fund	7.4	5.5	3.5	(6.9)	(31.9)
S&P/TSX Equity Index	7.0	5.1	3.1	(7.3)	(32.4)
Enhanced Indexed Canadian Equity Fund			3.8	(6.8)	(30.9)
S&P/TSX Capped Equity Index	7.4	5.6	3.1	(7.3)	(32.4)
Active Canadian Equity Fund	7.9	6.3	2.0	(8.7)	(31.5)
S&P/TSX Capped Equity Index	7.4	5.6	3.1	(7.3)	(32.4)
Active Canadian Small Cap Equity Fund					(42.8)
S&P/TSX Small Cap Equity Index	N/A	N/A	(8.9)	(20.8)	(51.5)
INTERNATIONAL EQUITY					
Indexed European Fund			(2.3)	(11.8)	(38.1)
Enhanced Indexed European Fund					(38.5)
Active European Fund			(3.2)	(13.5)	(40.5)
Combined European		(3.3)	(2.8)	(12.7)	(39.4)
MSCI Europe Net Index	4.6	(2.8)	(2.6)	(12.1)	(38.6)
Indexed EAFE Fund			(2.7)	(11.9)	(34.0)
Enhanced Indexed EAFE Fund					(39.1)
Active EAFE Fund			(4.6)	(14.3)	(37.8)
Combined EAFE		(2.4)	(4.0)	(13.6)	(36.7)
MSCI EAFE Net Index	1.6	(2.6)	(3.0)	(12.3)	(34.4)
Combined Asian[1]		0.8	(1.6)	(11.0)	(26.8)
MSCI All Country Asia Pacific Net Index	(1.9)	(1.9)	(3.2)	(11.5)	(27.0)
Active Emerging Markets Equity Fund					(34.4)
MSCI Emerging Market Index	N/A	5.9	5.0	(5.8)	(35.1)

[1] The Active Asia Fund was split into the Active Asian Ex-Japan Equity Fund and the Active Japan Equity Fund on June 30, 2008.

The Private Placement, Realpool International, and Strategic Investment and Infrastructure assets are illiquid in nature, and as such they are valued annually at December 31. Asset returns are calculated as at December 31, 2008 using the Horizon Rate of Return methodology. These returns reflect the combined activity in all the vintage year pool funds and WorkSafeBC Accident segregated investments for the performance period. At the time of publishing the Annual Report, the returns for the illiquid assets are unaudited. Benchmark returns are calculated using the Time Weighted Rate of Return methodology.

	15 YEARS	10 YEARS	5 YEARS	3 YEARS	1 YEAR
U.S. EQUITY					
Indexed U.S. Equity Fund		(4.7)	(5.5)	(10.8)	(24.1)
S&P 500 Index	5.3	(4.8)	(5.5)	(10.8)	(24.1)
U.S. Value Index Fund			(6.3)	(13.6)	(31.0)
S&P 500/Citigroup Value Index	4.7	(3.7)	(6.4)	(13.8)	(31.3)
U.S. Social Index Fund					(20.3)
Domini 400 Index	5.6	(5.0)	(5.9)	(10.3)	(20.4)
Enhanced Indexed U.S. Equity Fund		(5.2)	(5.8)	(11.5)	(25.3)
S&P 500 Index	5.3	(4.4)	(5.4)	(10.8)	(24.1)
Active U.S. Equity Fund	5.2	(3.5)	(5.2)	(11.3)	(23.3)
RUSSELL 1000 Index	5.3	(4.3)	(5.3)	(11.0)	(24.3)
Active U.S. Small Cap Equity Fund					(22.9)
RUSSELL 2000 Index	4.3	0.1	(6.0)	(14.6)	(23.4)
PRIVATE PLACEMENTS					
Private Placement Pools[1]		3.0	5.4	3.2	(15.2)
Bank of Montreal Small Cap Index 10 Year Annualized + 4.5%[2]	13.8	15.1	14.7	12.7	8.5
REAL ESTATE					
Realpool Domestic	10.4	10.2	12.7	9.2	(7.8)
CPI + 4%	6.0	6.2	5.9	5.6	5.3
Realpool International[1]			11.4	10.6	(8.3)
Canadian CPI + 7%[2]	8.8	9.2	8.9	8.7	8.2
STRATEGIC INVESTMENTS AND INFRASTRUCTURE					
Canadian Public Equity				(13.2)	(38.6)
Private Placements[2]				12.2	17.2
Real Estate[2]				15.0	3.5
8% Nominal Benchmark	8.0	8.0	8.0	8.0	8.0

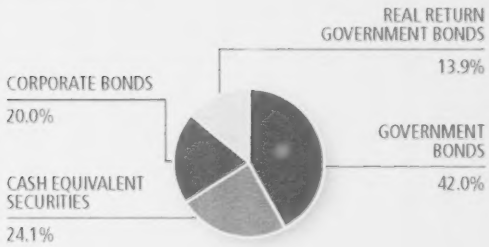
fixed income and foreign currency

with a portfolio of $27 billion, bcIMC is a major player in the Canadian fixed income market

Through seven pooled funds, bcIMC manages a range of fixed income securities, including Canadian government (federal and provincial) bonds, investment-grade corporate securities, and agency bonds. We also invest in real return bonds issued by the Government of Canada and provincial governments.

bcIMC's foreign currency exposures are managed through a hedging program with emphasis on the relative value of the Canadian dollar. The Currency Overlay Fund attempts to generate excess returns from the foreign exchange markets.

Portfolio of Fixed Income Assets
as at March 31, 2009



A DISCIPLINED APPROACH

We actively manage our fixed income pools to add value above and beyond benchmark returns. We use a combination of active management strategies that include yield curve positioning, duration timing, and security selection.

Issuers within our funds are assessed for default and credit risk. Once issuers are deemed credit worthy, credit limits are set to mitigate risks. Issuers are reviewed on a regular basis. Our rigorous due diligence allowed for a comprehensive understanding of bcIMC's exposure to corporate debt during this turbulent year.

PERFORMANCE ANALYSIS

Performance can only be properly understood in the context of the abnormal volatility experienced in the markets during the year. As the financial crisis

expanded, spreads widened to unprecedented levels, peaking late in 2008 and again in early 2009. The market experienced a bond bubble during this period as interest rates collapsed and prices on Government of Canada bonds moved sharply higher. As the longer-term funds had moved to an overweight position in provincial and corporate bonds to take advantage of their attractive higher yields, our fund performance suffered accordingly.

Our Universe Bond Fund had a positive return of 3.6 per cent but missed its benchmark by 1.3 percentage points for the year. While interest rates had declined, fund performance compared to its benchmark was negatively impacted by the lack of liquidity in the overall market and its overweight position in corporate bonds. To address liquidity-related issues, bcIMC Board approval was obtained to temporarily increase the maximum allowable overweight of corporate bonds in the portfolio. This allowed us to avoid selling corporate debt at distressed levels, while waiting for spreads and prices to recover.

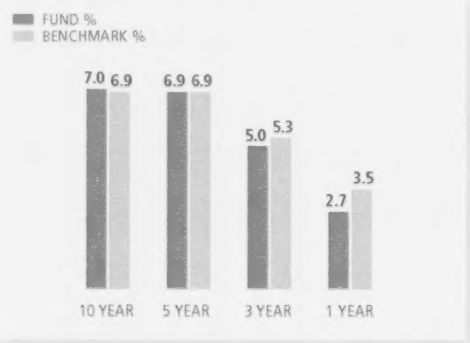
Although our Long-Term Bond Fund had positive results, its overweight position of provincial bonds caused it to underperform its benchmark by 0.8 percentage points. Over 10 years, the fund has exceeded its benchmark by 0.1 percentage point.

Given the sharp drop in administered rates in Canada and the U.S., returns for our short-term products were modest. Our Short-Term One Fund and Short-Term Two Fund outperformed their benchmarks.

Looking ahead we anticipate that credit spreads will normalize and that deflation concerns will dissipate. With a large supply of government debt coming on to the market in the U.S. and Canada and inflation becoming more of a concern as a result of the massive monetary stimulus in both economies, we expect a rise in interest rates in the future. We are increasing our exposure to inflation-linked bonds in anticipation of this event.

Long-Term Bond Fund Performance

Annualized returns for the periods ended March 31, 2009



the year in review

- ✔ Our fixed income portfolios had no exposure to non-bank or third party asset-backed commercial paper; no exposure to interest rate derivative instruments such as collateralized debt obligations or credit default swaps; and no exposure to corporate debt issued by Bear Stearns or Lehman Brothers. Our funds neither use interest rate derivatives nor employ hedging (except currency hedging) strategies.
- ✔ Given unprecedented levels of market volatility and the risk of counterparty failure, the Currency Overlay Fund was temporarily suspended in August 2008. We expect to re-launch the fund in late 2009.
- ✔ We completed the preparations for the new Global Government Bond Fund. Based on the J.P. Morgan Global Government Bond Index, this fund provides exposure to the government bond markets of 13 countries denominated in eight currencies. Currency hedging will be used to protect capital values. This fund will offer clients competitive, stable, and secure returns with a high degree of liquidity.
- ✔ We expanded the scope of our currency hedging activity beyond protecting our clients against fluctuations in the value of their U.S. dollar-denominated assets. Based on our fundamental analysis of both the U.K. and Japanese economies, we initiated hedging activity in the British pound and Japanese yen. Our currency hedging strategy is dynamic and can change considerably over time as it is not based on static or fixed market assumptions.

mortgages

with a portfolio of $3.6 billion, bcIMC is a major lender to the Canadian commercial construction and real estate industry

bcIMC PROVIDED PARKBRIDGE LIFESTYLE COMMUNITIES INC. WITH MORTGAGE FINANCING FOR PARKLAND VILLAGE, ALBERTA. THIS DEVELOPMENT INCLUDES THE PILOTING OF A GEOTHERMAL SYSTEM THAT HEATS AND COOLS THE HOMES.

We offer three pooled mortgage portfolios – the Construction Mortgage Fund, Fixed-Term Mortgage Fund, and Mezzanine Mortgage Fund (formerly the Specialty Mortgage Fund). These funds are diversified by loan, geography, and property type, with a focus on the industrial, office, apartment, and retail sectors. Participation in these funds depends on our clients' liquidity needs, investment time horizon, and risk/return objectives. All mortgage investments are Canadian -based commercial loans and do not include single family dwellings. bcIMC did not participate in any mortgage securitizations during the year and does not securitize loans as a matter of policy.

Our Fixed-Term Mortgage Fund exceeds $2.8 billion, an increase of 15.6 per cent over last year. Unlike the U.S. experience, the Canadian real estate market has remained relatively strong. While the credit contraction reduced market activity, it enabled bcIMC to remain highly selective in approving new loans. Since launching our Construction Mortgage Fund in 1995, we have financed $4.2 billion of commercial and multi-residential developments throughout Canada.

A DISCIPLINED APPROACH

Our Mortgage team actively manages and services the three portfolios. We manage mortgage investment risk through detailed underwriting, credit, and financial analysis of all borrowers, guarantors, and major tenants. The review of arm's length appraisals, leases, legal documents, and environmental and engineering reports is an integral component of our due diligence processes. We introduced interest rate floors during the year as a measure to ensure that our mortgage income remains stable despite interest volatility.

On the mortgage servicing side, we perform the ongoing activities of monitoring mortgage valuations, disbursements, and cash flows. Our mortgage portfolio contained 233 loans at year-end.

Mortgage Holdings by Fund Type
as at March 31, 2009

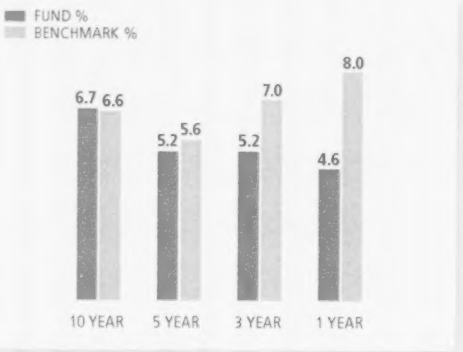
PERFORMANCE ANALYSIS

The ongoing ramifications of the global financial crisis initially caused by problems in the U.S. mortgage market continued to be felt, and markets remained volatile. As a result of the crisis and current recession, the lending environment has become more conservative. Loan-to-value ratios have come in considerably, making it a lender's market that favours large-scale commercial mortgage lenders such as bcIMC. Although the Canadian real estate market weakened slightly, our mortgage portfolios are in good shape and have not incurred losses of principal or interest. In a period of lower interest rates and somewhat deflationary economic conditions, our mortgage funds continued to deliver strong, stable returns. They were also an important additional source of yield and diversification for fixed income portfolios.

Widening credit spreads have negatively impacted fund performance. The Fixed-Term Mortgage Fund missed its benchmark by 3.4 percentage points. As this fund's benchmark comprises government and other high-grade bonds, it was difficult to beat this year. On a longer-term basis, the Fixed-Term Mortgage Fund has outperformed its benchmark, providing a 6.7 per cent yield over 10 years.

Both the Construction Fund return of 5.8 per cent and the Mezzanine Fund return of 10.3 per cent were successful in beating their one-year benchmarks of 5.3 per cent and 6.9 per cent respectively.

Fixed-Term Mortgage Fund Performance
Annualized returns for the periods ended March 31, 2009



the year in review

- ✔ We committed $1.2 billion to new commercial mortgages in 2008-2009, down from a record $1.7 billion for the previous year. Although the quantity of mortgages declined in volume, the quality of loans increased as we were able to negotiate lower-risk mortgage investments at higher credit spreads. Despite the economic slowdown, demand for new office space in Canada remained comparatively robust. Market conditions were ideally suited to well capitalized lenders such as bcIMC.
- ✔ Our team provided construction financing for almost 1.8 million square feet of LEED® certified development in 2008-2009.
- ✔ The bcIMC Board approved a change to the Pooled Fund Product Descriptions for all three mortgage funds to allow for hotel construction financing. In addition to providing greater diversification of our funds, we anticipate that it will increase the risk-adjusted returns of these funds.
- ✔ With the approval of the bcIMC Board, the Mezzanine Mortgage Fund (formerly the Specialty Mortgage Fund) became a fixed participation pool. This change allows for an improved alignment of the fund's valuation with that of its investments. Valuation of the fund will occur annually.

private placements

with a portfolio valued at $2.8 billion, diversified by market, geography, and industry sector, we are one of Canada's leading private equity investors

Since 1996, bcIMC has been building a diversified private equity portfolio of pooled funds created for each calendar year. By investing in successive pools, our clients obtain diversification by vintage year, management style, industry sector, and geographic market, including exposure to companies in different stages of development and growth.

A DISCIPLINED APPROACH

Our program has a long-term focus and pursues opportunities across the entire spectrum of private equity. This includes equity and debt investments in more mature companies, growth capital for expanding firms, and venture capital for new technologies and start-up companies. The program is implemented through investment commitments to externally managed private equity funds, and through investments directly into companies either as sole sponsor or co-sponsor with other institutional investors. While we typically contribute equity capital, our investments may also include debt and/or hybrid securities.

Using our extensive global network of leading private equity professionals, we leverage expertise in the selection and evaluation of investments. At year-end, we maintained relationships with 66 external managers and held 156 private equity investments.

We assess externally managed funds according to their investment strategy, team composition, and track record relative to their peers and our benchmarks. With co-investments and direct investments, we evaluate market, industry, and company-specific risks and projected returns. We contract third-party advisors to assist with environmental, legal, and other company-specific assessments and risks.

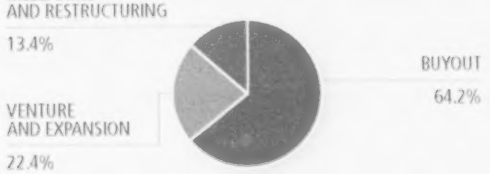
The progress of each externally managed fund or direct investment is closely monitored to ensure that our clients' investment requirements are met. With direct investments, we often exercise the right to appoint directors to company boards. We work with management to guide the company's strategic direction and promote good governance.

Regional Distribution of Private Placements
as at March 31, 2009

PERFORMANCE ANALYSIS

It was a difficult year for private equity markets in general. The global economic slowdown impacted the growth and financial performance of many companies, especially those in cyclical sectors or with high levels of debt. Several high profile companies entered restructuring or bankruptcy processes, some of which were backed by private equity capital. Other companies with impending debt maturities faced difficult conditions and were

Program Diversification by Financing Type
as at March 31, 2009



IN 2007, bcIMC AND IK INVESTMENT PARTNERS ACQUIRED SCHENCK PROCESS GmbH, A GLOBAL LEADER OF SOLUTIONS IN MEASURING AND PROCESS TECHNOLOGY IN INDUSTRIAL WEIGHING, FEEDING, SCREENING, AND AUTOMATION. bcIMC MADE A FURTHER COMMITMENT IN 2008-2009.

forced to either reduce costs and manage liquidity to mitigate higher refinancing costs, or face the absence of debt refinancing.

Returns for our Private Placements program were -15.2 per cent which reflected a significant decline in global capital markets as well as a difficult operating environment for underlying companies within the portfolio. Although negative, the performance of the program followed a number of years of strong returns. Broad diversification across strategy and geography limited our exposure to any particular manager or direct investments and provided some mitigation in these exceptionally volatile markets.

The combination of poor credit market conditions and economic uncertainty should see reduced private equity market activity until 2010. Lower than normal distributions for the portfolio are expected.

Historically, severe economic dislocations have produced excellent private equity investment opportunities. The combination of highly attractive acquisition valuations and low debt provides the potential for strong future returns. Disciplined investment pacing has favourably positioned bcIMC to take advantage of these opportunities in this environment.

the year in review

- ✔ We committed over $535 million to 10 new funds including Advent Japan Private Equity Fund (focusing on the acquisition of middle market companies located in Japan), CVC European Equity Partners (focusing on the acquisition of large mature companies in Western Europe), and Yaletown Ventures II, LP (focusing on early stage information technology and energy technology companies in Canada).
- ✔ We distributed $280 million to participating clients.
- ✔ We appointed seven new advisory committee members and directors to various funds and companies within bcIMC's Private Placements portfolio.
- ✔ We hired three new investment professionals to the Private Placements team. These additions allow us to enhance our resources and skill sets to reflect the growth and future development of the portfolio.
- ✔ We introduced electronic documentation to all of our private equity due diligence and investment monitoring practices and activities.

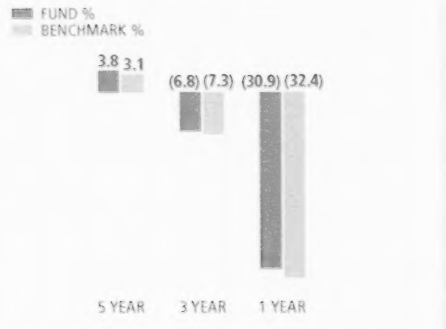
public equities

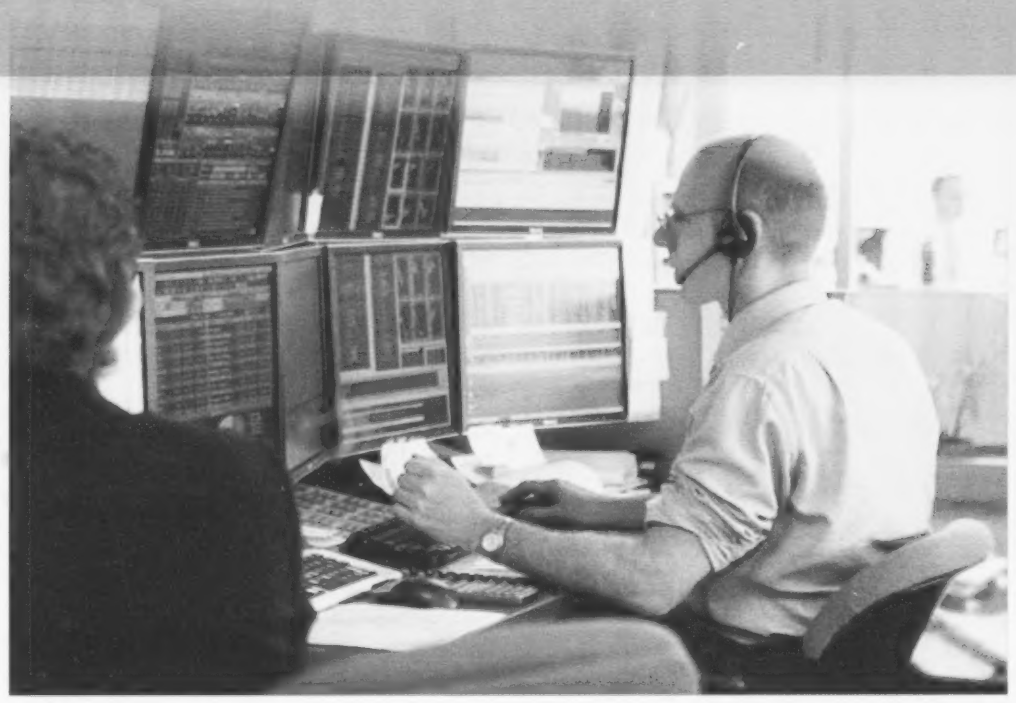
with equity holdings of $28 billion, we are one of Canada's largest and leading institutional equity market investors

bcIMC manages 18 domestic and international pooled equity funds diversified by geographic market and investment style. Our index funds are managed internally by our own investment professionals. The enhanced index funds are managed with internal and external managers. We employ 24 leading asset managers for 30 equity mandates covering a range of markets and styles.

Enhanced Indexed Canadian Equity Fund Performance

Annualized returns for the periods ended March 31, 2009





A DISCIPLINED APPROACH

The combination of index, enhanced, and active equity management addresses our clients' needs in two ways. Index funds provide direct and low-cost exposure to securities that closely match a benchmark index, while enhanced index funds are intended to generate a moderate level of return over and above the index benchmark with a moderate amount of additional risk. Externally managed active pools combine multiple managers with different investment styles for a higher targeted return. In line with our clients' policies, we are conservative in nature, have a long-term investment horizon, and use long only strategies. We emphasize diversification and focus on quality companies. Derivative instruments are used for cash management purposes only.

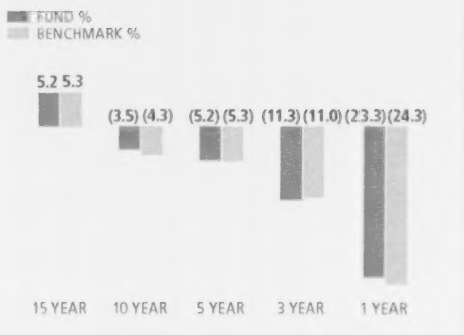
PERFORMANCE ANALYSIS

During the year the U.S. credit market crisis overwhelmed activity in all other markets, including equities, severely impacting investors. The U.S. market as measured by the S&P 500 declined almost 40 per cent, and the Canadian market as measured by the benchmark S&P/TSX Index lost 32.4 per cent. Among other major markets, Japan and Europe fell 21.5 per cent and 38.6 per cent (in Canadian dollar terms) respectively.

In this environment, our funds performed reasonably well. Our Enhanced Indexed Canadian Equity Fund exceeded its benchmark by 1.5 percentage points, but still had a negative result, posting an annualized return of -30.9 per cent. Given the volatility of the global equity markets, the performance of this fund was particularly pleasing. During the year we restructured our Active Canadian Equity Fund after some disappointing periods. For the year, the Fund outperformed its benchmark by 0.9 percentage points, returning -31.5 per cent.

Returns for our U.S. Equity funds were mixed. Our internally managed index funds either met or exceeded their benchmarks, and our actively managed products outperformed. The Enhanced Indexed U.S. Equity Fund underperformed, and during the year we added two external mandates, supplementing the internally managed portfolio within this fund.

Active U.S. Equity Fund Performance
Annualized returns for the periods ended March 31, 2009



Regional Allocation of Public Equities
as of March 31, 2009

International fund results were mixed. The internally managed Indexed EAFE Fund and Indexed European Fund performed well, both exceeding their benchmarks.

The externally managed Enhanced Indexed EAFE Fund underperformed, while the internally managed Enhanced Indexed European Fund slightly outperformed.

Our international active pools were generally disappointing, with the Active European, EAFE, and Asian Funds underperforming. However, the new Active Emerging Markets Equity Fund outperformed by 0.7 percentage points.

the year in review

- ✔ Of the 18 equity funds, 13 exceeded, one met, and four underperformed their benchmarks.
- ✔ The Active Global Equity Fund, a new pooled fund product, was launched. It provides our clients with exposure to equity on a global basis rather than being restricted to companies in a particular region. We believe this kind of investment will be more flexible and improve performance results.
- ✔ A major commitment was made to hire new external managers. We responded to client requests for specific investment opportunities and conducted new manager searches accordingly. We also terminated mandates of managers with unsatisfactory performance and added replacement managers.
- ✔ The process of fund restructuring will continue to ensure that we are maximizing all investment opportunities for our clients. This year we restructured the Active Canadian Equity Fund and the Enhanced Indexed U.S. Fund, and made changes to the Active European Fund. We separated the Asian Pool into the Active Asian Ex-Japan Equity Fund and Active Japan Equity Fund. We established new pools for Canadian Small Cap, U.S. Small Cap, Global Equity, and Emerging Markets. About $3 billion in assets was moved during these transitions (not including asset allocation moves).

real estate

with a Canadian portfolio of 57 million square feet of prime commercial real estate, bcIMC is one of Canada's major landlords

bcIMC manages a significant $10.4 billion Canadian and international real estate portfolio. Our domestic holdings of 57 million square feet are comprised of rentable office, industrial, and retail space, 35 hotels, and 11,904 multi-residential units. In addition, we have interests in four real estate management companies.

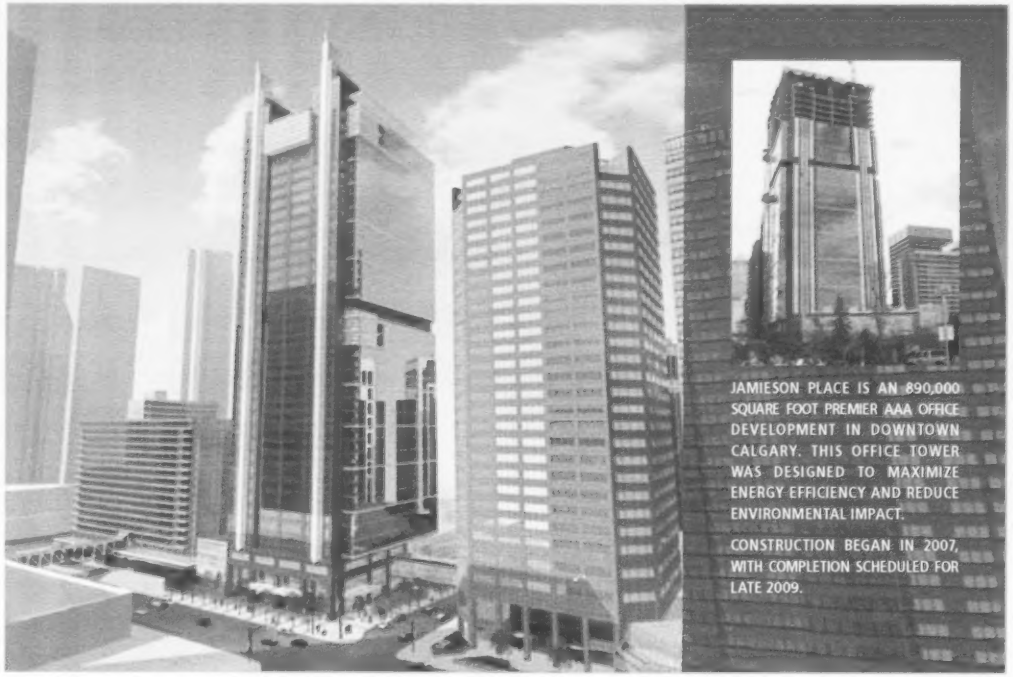
Our international real estate exposure is primarily in fund investments (12 real estate funds), but also includes three direct investments, three joint ventures, and three real estate management companies.

A DISCIPLINED APPROACH

Our diversified portfolio of prime Canadian real estate assets is designed to produce a stream of stable income along with long-term capital appreciation for our clients. We are somewhat defensive in our strategy, practising diversification based on property type, location, size of investment commitment, and investment risk. For example, we have found that apartment buildings are a valuable component of our asset mix as they are more resilient during soft economic times.

In recent years our focus has been on developing new properties. We currently manage 11 active developments throughout Canada; once completed, these will add 2.5 million additional square feet of industrial, office, retail, and residential space to our domestic portfolio.

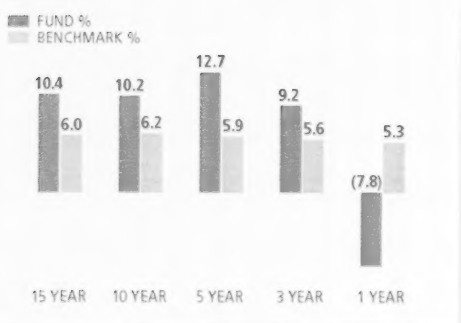
Our international program is designed to provide clients with higher returns while offering the benefits of geographic diversification. Through a combination of externally managed private funds and direct investments, our clients currently have exposure to real estate investments in Asia, Brazil, Europe, Mexico, the U.K., and the U.S. Through strategic relationships with skilled



JAMIESON PLACE IS AN 890,000 SQUARE FOOT PREMIER AAA OFFICE DEVELOPMENT IN DOWNTOWN CALGARY. THIS OFFICE TOWER WAS DESIGNED TO MAXIMIZE ENERGY EFFICIENCY AND REDUCE ENVIRONMENTAL IMPACT.

CONSTRUCTION BEGAN IN 2007, WITH COMPLETION SCHEDULED FOR LATE 2009.

Realpool Domestic Fund Performance
Annualized returns for the periods ended March 31, 2009



external managers, we participate in compelling investment opportunities that enhance bcIMC's global investment platform. We implement a partial currency hedge for real estate investments with exposure to the euro and U.S. dollar.

PERFORMANCE ANALYSIS

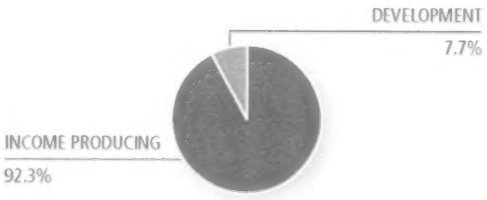
After several years of strong performance in domestic and international real estate markets, the ongoing global credit and capital market turmoil resulted in lacklustre performance by our real estate portfolio this year. Performance was negative after several years of double-digit growth. However, our focused diversification strategy, low level of leverage, and lack of refinancing risk have served us well in uncertain and unsettled market conditions.

A key point of differentiation is our strategy of developing projects with a view to owning them long-term. We are one of the largest institutional develop-to-own investors in Canada, with approximately $900 million currently in active development.

In Canada, we made acquisitions of $397 million and dispositions of $315 million during the year as we continued to fine-tune our portfolio. We divest assets when we believe their value has been optimized and capital can be better deployed elsewhere.

Our international portfolio was valued at approximately $900 million at year end. We continue to monitor global markets for attractive opportunities for our clients.

Domestic Real Estate:
Income Producing vs. Development
Assets as at March 31, 2009



the year in review

- ✔ bcIMC closed seven domestic acquisitions and committed €75 million to an international fund sponsored by Realstar Capital LLP.
- ✔ The disposition of nine domestic properties in Montreal and Ontario realized $315 million.
- ✔ We added over 882 million square feet to our domestic portfolio with the completion of six developments of rentable industrial, office, and retail space in Calgary, Edmonton, Mississauga, and Vancouver.
- ✔ We negotiated over 2.5 million square feet of new leases and renewed 2.4 million square feet of existing leases for our domestic portfolio. Of note, a long-term lease with PricewaterhouseCoopers was secured for almost 280,000 square feet of office space at 18 York Street, Toronto. Construction of this office space will commence in late 2009.
- ✔ Our properties continue to receive awards for property management, excellence in resource conservation, emergency preparedness, and achievement of environmental goals. Of note, the Meadowvale Corporate Centre, Mississauga, received the BOMA Building of the Year award in the Suburban Office Park – Low Rise category. Additionally, Metropolitan Towers and Parkview, Vancouver were the first multi-residential buildings in Canada to be awarded BOMA certification.

strategic investments and infrastructure

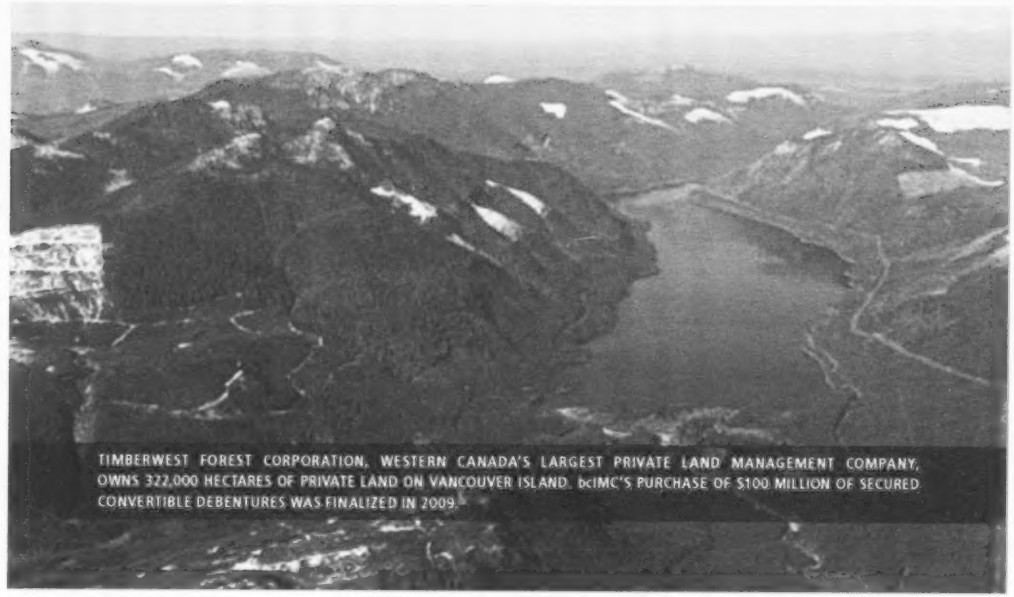
holding over $3.3 billion in stable, cash yielding assets and companies with significant tangible long-lived assets

bcIMC's Strategic Investments and Infrastructure program provides clients with exposure to core infrastructure, oil and gas reserves, and timberlands. Preferred investments include regulated and contracted assets such as electricity generation and transmission lines, oil and natural gas pipelines, water and wastewater services, as well as transportation-related assets.

Participating clients are invested in 14 funds managed by eight external managers, and eight direct investments in companies alongside bcIMC's strategic partners.

A DISCIPLINED APPROACH

bcIMC seeks opportunities to invest in assets and companies that have the potential to generate stable returns and strong cash flows over extended periods of time. We have a long-term perspective, typically intending to hold assets over many years.



TIMBERWEST FOREST CORPORATION, WESTERN CANADA'S LARGEST PRIVATE LAND MANAGEMENT COMPANY, OWNS 322,000 HECTARES OF PRIVATE LAND ON VANCOUVER ISLAND. bcIMC'S PURCHASE OF $100 MILLION OF SECURED CONVERTIBLE DEBENTURES WAS FINALIZED IN 2009.

We believe that our perspective and the nature of assets we acquire is a strong match for our clients with long-term liabilities.

Our investment activity includes active participation by our Private Placements, Public Equity, and Real Estate departments. We invest in publicly traded equities, externally managed funds, private companies, and also co-invest with a number of our external managers.

The private markets component has a global mandate. Holdings include traditional infrastructure investments in electricity transmission, utilities,

Regional Distribution of Strategic Investments and Infrastructure Fund

as at March 31, 2009

water, and wastewater, as well as strategic investments in energy related assets.

By contrast, the program's public equity aspect focuses on publicly-traded Canadian companies engaged in the production of energy and materials, and the management of infrastructure assets, transportation, and commodity-related assets. The real estate portion currently holds a number of timber-related investments.

PERFORMANCE ANALYSIS

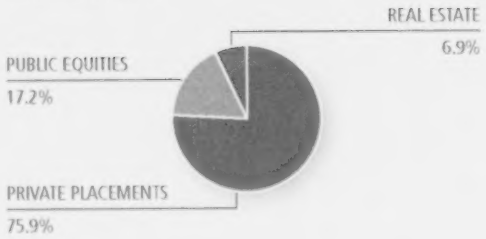
Investment performance is separated into the private markets, public markets, and timber investments.

The private markets delivered strong cash distributions to clients and positive returns of 17.2 per cent for the fiscal year. The strong performance is attributed to our large holdings in regulated infrastructure assets and the timely divesture of some of our power assets at attractive valuations. The decline in the Canadian dollar relative to the U.S. dollar also increased the value of some of our international holdings when measured in Canadian dollars.

After a number of years of strong performance, it was a difficult year for the public markets component. The Strategic Infrastructure Canadian Equity Fund consists of publicly listed companies involved either with the sale of raw materials, the transportation of goods, or the provision of infrastructure services.

Strategic Investments and Infrastructure Fund by Asset Class

as at March 31, 2009



As global economies slowed and fell into recession, earnings and the near-term growth of these economically sensitive companies suffered, causing listed stock prices to decline significantly.

Although the value of timberland assets globally performed reasonably well, the portion of the portfolio holding Canadian timberlands had a modest return. The weakness of housing markets globally, along with the deteriorating fundamentals in the pulp and paper industry, has decreased export demand for local timber. The lingering effect of a stronger Canadian dollar and the continued contraction of the domestic processing industry also impacted local companies. Despite these challenges, we continue to believe that the long-term outlook for Canadian and global timberlands remains attractive.

the year in review

- ✔ We committed over $723 million to new strategic investments, which included a commitment to an international timber fund managed by Brookfield Asset Management Inc.
- ✔ bcIMC and a consortium of long-term infrastructure investors successfully completed the U.S.$7.4 billion acquisition of Puget Energy, Inc. bcIMC has a 14.1 per cent equity interest in the company. Further details of this transaction are provided on page 39.
- ✔ bcIMC purchased $100 million of secured convertible debentures from TimberWest Forest Corporation, western Canada's largest private land management company. As part of the investment, bcIMC appointed two directors to the company's Board.
- ✔ The program received over $282 million in distributions from companies such as Thames Water, including proceeds from the sale of AIG Intergen. bcIMC acquired an equity position in Intergen, a global power generation company with 12 power plants, through an acquisition led by AIG Highstar in 2005.

risk management

effective risk management – for market, credit, environmental, legal, and operational risk – underpins everything we do at bcIMC

bcIMC's clients are compensated with higher returns for taking additional market and credit risk. However, clients are not rewarded for exposure to environmental, legal, and operational risks. We take an enterprise-wide approach to risk management, addressing these risk factors in all areas of our operations.

Our goal is to identify emerging risks and take steps to mitigate these risks. This allows us to protect invested funds, pass on lower costs to our clients, and ensure the continuity of our business.

At bcIMC, everyone contributes to risk management. From balancing investment risks and returns, to monitoring factors that affect operational efficiency, each staff member is responsible for managing risks within their control.

bcIMC'S RISK FRAMEWORK

The bcIMC Board and CEO/CIO ensure that the Enterprise-Wide Risk Management Framework functions effectively and monitors our strategic and reputational risk profile. The CEO/CIO establishes risk policy and oversees the implementation of all risk management measures. The internal Risk Committee reviews enterprise-wide risks each quarter and provides the Board with a status report of bcIMC's enterprise risk. Systematic reviews of our risk framework and control activities are conducted by our Internal Auditor.

Market risk is a function of all investment management decision-making. We follow a long-established model that reflects conservative investment practices, while ensuring two distinct mandates:

1. that each level of risk undertaken is appropriate to each individual client; and
2. that in every case, the level of risk undertaken corresponds with the probable return.

Sophisticated risk analysis enhances risk-adjusted returns for our pooled funds and assists in the selection of external managers.

Credit risk focuses on a variety of credit concerns (individual securities, counter-parties, potential defaults, and even the impact of environmental issues on credit ratings) that bcIMC confronts on a daily basis. The approval of our Credit Risk Framework by the bcIMC Board in 2008-2009 formalized the management of credit risk within fixed income, securities lending, and trading with approved broker/dealers and derivatives counterparties.

bcIMC's Environmental Risk Framework provides a consistent, enterprise-wide approach to environmental risk management. Asset classes have separate environmental due diligence protocols. For example, environmental assessments are conducted for all new real estate developments and acquisitions. Post-investment we have ongoing management programs to ensure that the environmental exposure at each property is properly managed according to federal and local government legislation.

Legal risk management involves the identification and the mitigation of threats to bcIMC's contractual, statutory, and other rights. As these rights underpin all of bcIMC's activities, a loss or dilution of these rights can have significant financial consequences for our clients and reputational consequences for bcIMC. bcIMC's Legal Risk Framework seeks to reduce or eliminate the possibility of inadvertent changes to these rights, whether through lack of legal awareness, insufficient legal protection, a change in the law, or other causes.

Operational risk management begins with setting the ethical tone of our operations. Staff are required to adhere to our *Code of Conduct*,

bcIMC's RISK UNIVERSE
operational risk • market risk • legal risk
environmental risk • credit risk
strategic risk • reputational risk

bcIMC takes an enterprise-wide approach to risk management, addressing the risk factors in all areas of our operations.

and each year, the Board reviews a compliance report. Corporate policies and risk controls protect against issues such as inadvertent insider trading and money laundering.

Our formal Operational Risk Framework ensures that bcIMC's operational risk management practices and business continuity planning remain current and robust. Departmental operational risks are tracked in registers which are maintained by senior management and staff. Vice Presidents discuss these registers with the CEO/CIO bi-annually, or more often if circumstances warrant. In addition, our Operational Review Committee, a cross-departmental team, focuses on operational risk reduction and efficiency of operating processes. Disaster recovery scenarios and tests are regularly conducted, and at times will include the bcIMC Board.

bcIMC continues to voluntarily produce a detailed report on controls over the investment system in line with the Canadian Institute of Chartered Accountants Section 5970 reporting requirements. bcIMC undertakes this onerous task to provide management and our clients with confidence in our internal controls over financial reporting.

the year in review

- ✔ Given the failure of several prominent U.S. investment banks in late 2008, we temporarily suspended our Currency Overlay Fund to protect against the risk of counterparty failure. This fund will be reinstated once risks are normalized.
- ✔ Due to concerns of possible counterparty failure within bcIMC's Securities Lending Program, we decreased the number of approved borrowers, reviewed the securities that are made available for lending purposes, and suspended the acceptance of cash collateral.
- ✔ Our Real Estate and Mortgages departments, including staff from SilverBirch Hotels & Resorts Ltd. and Delta Hotels Ltd., attended an environmental management practices seminar provided by Bentall LP and GWL Realty Advisor Inc.
- ✔ Our Legal department introduced educational initiatives to assist staff in understanding legal risks associated with bcIMC's investment practices.
- ✔ bcIMC received an unqualified audit opinion on the Section 5970 Report on Controls Over the Investment System.

responsible investing

considering the impact of environmental, social, and governance issues on long-term investment performance

bcIMC works to protect and increase the financial value of our clients' assets through responsible investing. Over the long-term, good environmental, social, and governance (ESG) practices can enhance the competitive success and market value of a company or asset. As a responsible investor, bcIMC adopts an active ownership approach to investments, undertakes a responsible property investing approach, and considers the impact of extra-financial issues on long-term investment performance. bcIMC is a signatory to the Principles for Responsible Investment.

Proxy Voting Activity by Region for 2008-2009

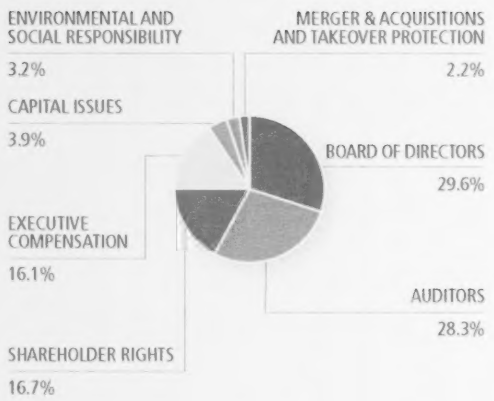
RESPONSIBLE OWNERSHIP OF PUBLIC COMPANIES

bcIMC is a major, long-term investor in global public equity markets, holding shares in over 3,000 public companies in about 40 different markets. We take an active ownership approach to our equity investments and have promoted good corporate governance practices for many years. During the year we expanded our corporate engagement team, allowing us to enhance our active ownership activities.

We influence corporate behaviour through proxy voting decisions, direct contact with company directors and executives, and collaborative co-operation with regulators, policy makers, and other stakeholders. Our activities are guided by bcIMC's *Corporate Governance Principles and Proxy Voting Principles* and more recently our *Shareholder Engagement Guidelines and Priorities*. During the year we updated our corporate governance guidelines to reflect governance progress on board diversity and "say on pay" advisory notes. Our Guidelines are available on our website.

During 2008-2009, we voted at 1,706 shareholder meetings on 6,249 resolutions. We opposed management resolutions about 30 per cent of the time, particularly with respect to proposals

Proxy Votes by Category 2008-2009



on executive compensation. We supported shareholder resolutions on ESG matters 60 per cent of the time. In particular, we voted in favour of shareholder proposals for the separation of the chair and CEO roles, adoption of majority vote policies for director elections, and development and implementation of guidelines for safeguarding the environment and human rights. Our proxy voting activity is disclosed on our website.

Our engagement activity focuses on three priority issues: climate change, human rights, and shareholder rights. We also monitor other issues that may affect our clients' financial interests. For

example, executive compensation is addressed through proxy voting and also routinely discussed with management.

This year, among other initiatives, we:

- Expanded our international voting to include emerging markets such as Turkey, Indonesia, and the Philippines.
- Engaged with 185 companies on their ESG performance.
- Successfully encouraged 12 Canadian companies to participate in the Carbon Disclosure Project (CDP) or disclose information about their climate risk program for the first time.
- Joined 11 global investor collaborations which aggregated significant shareholdings to spur companies to act on ESG disclosure or reform.
- Made 20 submissions on ESG policy matters to governments, regulatory bodies, and industry associations.

A RESPONSIBLE PLAYER WITHIN THE INVESTMENT INDUSTRY

Maintaining a dialogue on best ESG practices with regulatory and other authorities is an integral part of our responsible investing activity. We also engaged on pension industry-specific issues and public policy initiatives, including the Alberta-British Columbia Joint Expert Panel on Pension Standards.

In 2008-2009 other key policy initiatives included:

- Collaborating with the Canadian Coalition for Good Governance (CCGG) to pursue a meaningful dialogue on the potential future for a single Canadian Securities Regulator.
- Supporting the efforts of Canadian securities regulators to require fuller levels of disclosure on executive compensation. We enjoyed constructive dialogue with several companies in the financial services sector, particularly with respect to supplementary retirement plans for CEOs. We assisted the CCGG with the preparation of a set of compensation principles.
- Addressing the issue of corporate governance reform in Japan with the local Pension Fund Association.
- Providing views to the German and Dutch Ministries of Finance on shareholder collaboration on ESG matters.

bcIMC continues to collaborate with:

ACGA

Canadian Coalition for GOOD GOVERNANCE

CARBON DISCLOSURE PROJECT

ICGN
International Corporate Governance Network

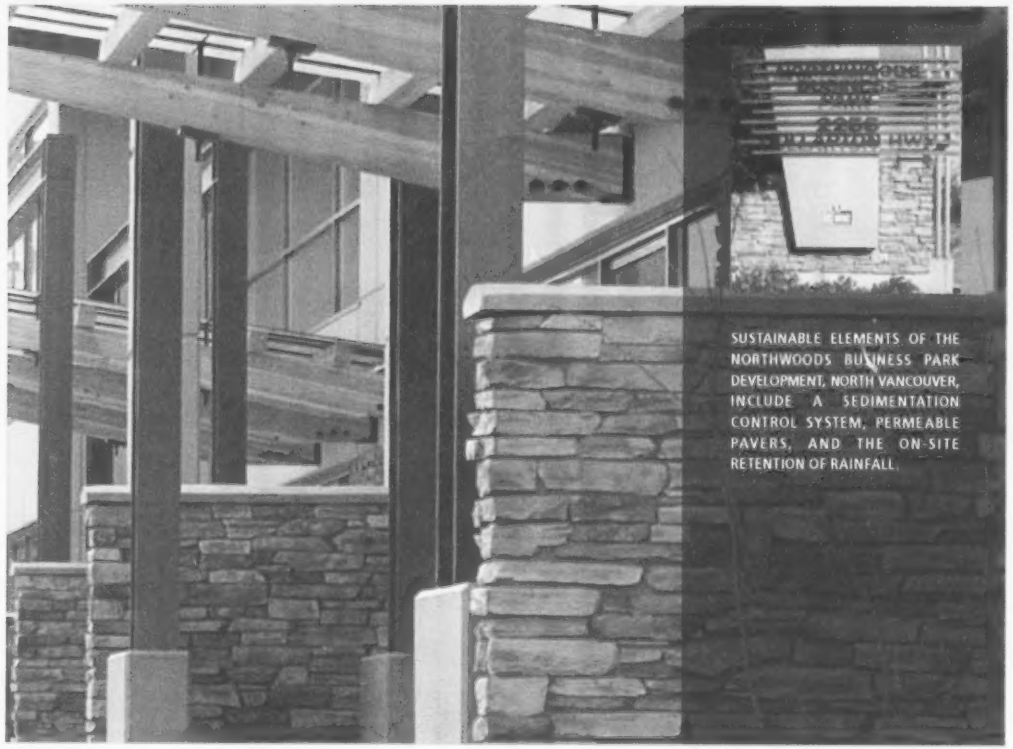
Investor Network on CLIMATE RISK a project of Ceres

Pension Investment Association of Canada
Association canadienne des gestionnaires de caisses de retraite

PRI

RPIC RESPONSIBLE PROPERTY INVESTING CENTER

UNEP Finance Initiative
Innovative financing for sustainability



SUSTAINABLE ELEMENTS OF THE NORTHWOODS BUSINESS PARK DEVELOPMENT, NORTH VANCOUVER, INCLUDE A SEDIMENTATION CONTROL SYSTEM, PERMEABLE PAVERS, AND THE ON-SITE RETENTION OF RAINFALL.

RESPONSIBLE OWNERSHIP OF PRIVATE COMPANIES

Over time, we have broadened our commitment to high levels of corporate governance and ESG best practices to include those private companies in which we have a significant interest. Our staff may serve as directors on the various boards in which we have equity interests, and bcIMC will also appoint prominent individuals from the business community to represent our interests on these boards. In February 2009, we conducted a retreat with directors involved in private companies within our Private Placements and Real Estate portfolios. This retreat allowed us to expand the dialogue with our private company directors on our corporate philosophy on ESG and governance matters, including consideration of executive compensation issues.

RESPONSIBLE PROPERTY INVESTING

Since its inception, our real estate program has been attuned to responsible property investing (RPI). We strive to incorporate RPI initiatives to lessen the impact on the environment, improve local communities, and enhance the value of the underlying real estate investment. During the year we became a member of the United Nations Environment Programme Finance Initiative Property Working Group.

We invest in and develop properties that are energy efficient and environmentally and tenant friendly. All RPI initiatives are assessed prior to purchase or development, and post-investment, we ensure that individual property business plans consider RPI activities. Analysis is conducted on the sustainable components of all major capital projects. By integrating these practices within the planning, budgeting, and operational processes, we ensure that RPI is at the forefront of our stakeholders' initiatives.

Using the World Resource Institute/World Business Counsel for Sustainable Development Green House Gas Protocol Standards as a guiding principle, bcIMC established consumption and emissions baselines for our domestic real estate portfolio in 2007. The reporting process was standardized to ensure consistent portfolio level analysis year over year. Property emissions are now reported on an annual basis, allowing us to monitor the environmental footprint of our real estate portfolio. In 2008, we expanded the scope of our reporting to include emissions associated with water usage and waste production.

INVESTING IN CLEAN OR RENEWABLE ENERGY

Since 2006, bcIMC has made an effort to allocate private capital to funds and companies involved in generating renewable power from biomass, solar, wind, hydroelectric, or geothermal sources. Our clients currently have investments in the clean or renewable energy space in Brazil, Canada, Europe, the U.K., and the U.S.

Our Private Placement and Strategic Investments and Infrastructure programs have made 39 investments in clean or renewable energy. bcIMC's participation in the consortium that acquired Puget Energy, Inc. in 2009 is a notable investment.

RESPONSIBLE CONSTRUCTION FINANCING

In assessing mortgage applications for construction financing, our Mortgage department favours projects that incorporate environmentally sound design principles and match our clients' risk-return requirements. In 2008-2009 we provided construction financing for almost 1.8 million square feet of LEED-targeted development and other developments that incorporate proven green technology. These developments include residential condominiums, manufactured home parks, and retirement homes throughout Canada.

ENHANCING OUR RESPONSIBLE INVESTING PROCESSES

The integration of ESG factors into our investment processes, while pursuing our clients' best financial interests is an ongoing initiative. In 2009 our Private Placements department held discussions with other Canadian institutional investors regarding best practices over due diligence, monitoring, and reporting in relation to private equity responsible investments. Over the next year, the department plans to expand its research in this area and to further enhance its investment framework with respect to ESG considerations.

Puget Energy, Inc. transaction

In February 2009, a consortium of long-term infrastructure investors that included bcIMC successfully completed the U.S.$7.4 billion merger transaction with Puget Energy, Inc. and its wholly owned utility subsidiary, Puget Sound Energy (PSE). As Washington state's oldest and largest energy utility, PSE serves over one million electric customers and almost 750,000 natural gas customers in western Washington. The transaction will enable PSE's continued investment in renewable resources to meet evolving green energy requirements. By 2013, PSE aims to deliver 10 per cent of its generation load through renewable resources. The transaction also facilitates investments to upgrade aging natural gas pipes and electric wire, and to extend the utility system to new developments. Lincoln Webb, bcIMC's Vice President, Private Placements, serves on the boards of Puget Energy, Inc. and PSE.

client servicing

working closely with our clients to ensure that their investment strategies are aligned with their return objectives and risk parameters

bcIMC has an obligation to work in our clients' best financial interests. Our full-service investment process supports our fiduciary role and involves all areas of our organization. bcIMC's discipline requires staff to act prudently and exercise good judgement.

bcIMC's client service consultants provide a link between our clients and the technical aspects of the investment processes. Tailoring our service levels to specific clients, the team assists clients with the development of investment strategies, taking into account investment objectives, risk profiles, and restrictions that affect clients' assets. Once the strategies are in place, we provide a range of services customized to specific client needs. These include performance measurement, ongoing asset mix and asset allocation review, client compliance monitoring, and client education.

CLIENT TRENDS AND CHANGING NEEDS

Client needs evolve with changes in capital markets, investment management, and pension fund administration.

Many clients face a challenging investment return environment and seek products that satisfy a widening range of risk-return profiles. Investment strategies are becoming more diversified, and bcIMC's operations and product lines are increasing in complexity. This year our clients funded the Active Canadian Small Cap Equity Fund, Active Asian Ex-Japan Fund, Active Emerging Markets Equity Fund, Active Japan Equity Fund, and the Active U.S. Small Cap Equity Fund. The bcIMC Board approved the investment policies for the Active Global Equity Fund and the

CLIENTS RECEIVE REGULAR REPORTS COVERING MARKET CONDITIONS, RISKS, INVESTMENT PERFORMANCE, RESPONSIBLE INVESTING ACTIVITIES, AND bcIMC'S ONGOING INITIATIVES.

Global Government Bond Fund. These funds will be available in 2009.

Responsible investing is receiving greater attention from many of our clients. At times, certain issues are raised by the media or special interest groups, prompting queries from our clients regarding their investment portfolios. bcIMC communicates with clients on high profile issues, their relevance to bcIMC's investment interests, as well as our own activities.

With the low yields and unprecedented volatility within the capital markets, we have expanded our engagement activities to include capital market governance. bcIMC's advocacy initiatives included support for the recommendations made by the Expert Panel on Securities Regulation regarding the single national securities regulator.

We recruited three additional client service consultants, allowing bcIMC to continue providing our clients with quality service. New client service consultants undergo extensive training to familiarize themselves with our clients' investment objectives and servicing requirements, as well as our products and investment management services.

ONGOING CLIENT SERVICE

We welcomed two new clients and accepted expanded investment mandates from one existing client. These new mandates added almost $64 million to total funds under management.

Every three years, or as required, we assist pension clients with asset-liability studies, allowing clients to assess their investment strategy relative to their liability profile. We prepared asset-liability studies for five pension clients this year and reviewed asset mix considerations and investment policies for several clients.

We continue to work closely with client trustees on their ongoing education requirements. We hosted four Trustee Orientation sessions for new pension trustees and provided information on various asset classes at several client meetings. We also assisted with the co-ordination of the annual B.C. Public Sector Pension Conference. Topics included the experience of defined pension benefit plans in other jurisdictions, the long-term impact of inflation on pension assets and liabilities, as well as discussions on demographics and urban issues.

Given the significant volatility in capital markets, bcIMC played a key role in working with pension clients to communicate investment and performance-related information to their plan members. bcIMC's staff also participated in two annual general meetings hosted by our clients.

client satisfaction survey

Client feedback helps refine investment-related services and client servicing practices. Surveys are conducted every three years. During the year we commissioned Ipsos Reid to undertake a quantitative and qualitative client satisfaction survey. Clients were asked to rate our investment management services, fees, and the bcIMC team, including the quality of our reporting.

Overall, results were stronger than the 2004-2005 survey with 95 per cent of respondents indicating that they were satisfied or very satisfied with bcIMC's service. With respect to investment management fees, 92 per cent of respondents felt that they received good value for fees paid. Clients gave a 97 per cent rating for the calibre of the bcIMC staff, while our reporting received a 95 per cent satisfaction rating. Qualitative results from the survey indicated that bcIMC is an ethical, trustworthy, and competent investment manager with a knowledgeable and responsive staff. bcIMC's investment discipline and responsible investing initiatives were applauded.

The survey also provided suggestions for enhancing our client services and communication. Suggestions will be reviewed and incorporated into our client service strategy.

building bcIMC

building a results-oriented, innovative and knowledgeable team, supported by state-of-the-art technology, while operating at a reasonable cost

BUILDING THE bcIMC TEAM

Our talented and highly experienced team comprised 147 people at year-end. During the year we added 10 new positions and re-assigned team members to new jobs either through promotion or internal transfers. Our current staffing level reflects an increase of seven per cent over the previous year and a diversity of talent. This diversity provides bcIMC with the experience and capacity to deliver the returns our clients require within an increasingly competitive and sophisticated investment environment.

An integral part of our business model is our strategy to attract and retain the best professionals in the investment management business. On the recruitment front, the pool of candidates with the expertise and international experience we seek is

bcIMC'S MULTI-DISCIPLINARY TEAM INCLUDES PROFESSIONALS WITH BACKGROUNDS IN INVESTMENT MANAGEMENT, ACTUARIAL SCIENCE, ECONOMICS, ACCOUNTING, LAW, INFORMATION TECHNOLOGY, AND ADMINISTRATION.

relatively small within Canada. On the other hand, working for bcIMC is perceived as a compelling career opportunity, and referrals and word of mouth are an important source of new contacts. In terms of formal recruitment, we continue to benefit from our relationships with the University of British Columbia, Simon Fraser University, and the University of Victoria, as well as Camosun College. During the year we finalized 23 permanent and four temporary recruitments, supported eight cooperative employment opportunities, and facilitated 14 internal transfers and promotions.

LEADERSHIP DEVELOPMENT

Leadership development accounts for a large part of our success. In a rapidly changing global investment marketplace, we realize that we must be focused on the future in considering leadership and skills development. Accordingly, we promote a culture of lifelong learning that encourages the individual professional development endeavours of staff. Learning development leads to advancement and higher professional standards.

We are proud that 76 per cent of our staff possess at minimum a recognized professional diploma, while 68 per cent have a post-graduate degree or related professional designation. We actively encourage staff to complete single or even multiple designations and pursue other areas of professional development and growth. There are currently 16 staff members who are working towards their relevant professional designations.

We also encourage support staff to enrol in investment-related courses such as the Canadian Securities Course. Selected members of our staff have also completed the Climate Change: Risks and Opportunities for the Finance Sector course offered by the United Nations Environment Programme Finance Initiative.

We encourage staff to participate in conferences and seminars, and to share their knowledge by tutoring students in investment-related courses. Guest speakers and prominent investment professionals interact with our staff on topical issues such as the future of the capital markets. Our own professionals also host onsite workshops, open to all staff, on pertinent issues within the investment industry.

Other training initiatives include the expansion of our mentorship program to allow selected new graduates to gain exposure to asset classes and other investment-related issues. With the collaboration of senior and junior staff in various leadership development initiatives, we ensure that the knowledge and wisdom of investment managers is passed effectively and instructively

the year in review

- ✔ Enhancing the breadth and depth of expertise within the bcIMC team is a key strategic priority. We added 10 new positions supplementing our existing client consulting, private equity, and corporate engagement expertise.
- ✔ We enhanced and upgraded our existing portfolio of applications to ensure that optimal technological support to daily operations. This included the re-engineering of a number of applications operating in legacy environments into newer technologies.
- ✔ We selected Client Relationship Management software that will assist with the provision of an integrated client service platform throughout bcIMC. The software will be introduced into bcIMC's operations during 2009-2010.
- ✔ The bcIMC Board and external auditor reviewed bcIMC's International Financial Reporting Standards (IFRS) implementation strategy. bcIMC's pooled investment portfolio financial statements for 2008-2009 have incorporated the IFRS standards already adopted by the Canadian Institute of Chartered Accountants.
- ✔ Our operating costs were 14.6 cents per $100 of assets under administration.

on to the next generation of managers.

As part of our overall business continuity plan, we have developed a corporate succession plan, reviewed annually by the bcIMC Board, which plots our future course given a variety of potential contingencies.

OUR TECHNOLOGY PLATFORM

Our investment management operations are supported by a modern technological platform that includes comprehensive and secure systems. Superior information systems facilitate investment diversification, enhanced performance tracking, and real-time monitoring of events that may affect investment performance.

During 2008-2009, we made significant strides in enhancing and upgrading our existing portfolio of applications. This included ensuring that the major software applications introduced in the previous fiscal year, such as the integrated human resources information and payroll system, were fully functional. Information technology solutions that improved operational efficiencies in aspects such as asset allocation and performance reporting were introduced. We also continued to re-engineer a number of applications operating in legacy environments.

The development of a prototype for bcIMC's Global Research Platform was a key project for the year and will continue into 2009-2010. Once completed, this platform will provide a central access point to a variety of data sources, information tools, and investment research.

As the investment environment becomes more competitive, information systems will increasingly become more integrated into our investment analysis, risk measurement, and client-related services. Understanding the technology trends within the investment industry allows bcIMC to stay focused on the future, while providing bcIMC with the technology tools it needs today. This year we joined the Financial Technology Forum, an association of industry information technology professionals that provides for the exchange of information on financial technology trends.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Canada will adopt the International Financial Reporting Standards (IFRS) in 2011. This represents a significant change in Canadian accounting standards, and implementation requires substantial forward planning.

bcIMC's comprehensive implementation strategy was reviewed by our Board of Directors and external auditor during the year. Preparation for IFRS is a large undertaking on the accounting and information systems fronts. However, management, the bcIMC Board, and our external auditor are comfortable that the appropriate planning is underway for a smooth transition to IFRS.

Some IFRS standards are not well suited to the investment industry. bcIMC has responded, on our own and with other industry stakeholders, to the International Accounting Standards Board's IFRS pronouncements to ensure that the interests of our industry and clients are heard.

By harmonizing selected sections of Canadian Generally Accepted Accounting Principles with IFRS, the Canadian Institute of Chartered Accountants has adopted certain IFRS standards prior to 2011. bcIMC incorporated these changes in our pooled investment portfolio financial statements for the years ending December 31, 2008 and March 31, 2009. From an accounting and systems perspective, the early convergence of these standards has significantly contributed to bcIMC's transition to IFRS.

We have also assisted many clients in understanding the implications of IFRS on their financial statements and enhanced our accounting systems to provide information required under the

newly converged standards. In addition, bcIMC has developed a strategy to increase IFRS knowledge and awareness amongst our staff.

RENOVATION OF bcIMC'S OFFICE SPACE

In conjunction with our landlord, Jawl Properties Ltd., bcIMC renovated our office space to accommodate the growth of the staffing component and reduce our environmental footprint. These renovations included:

- The installation of motion sensor lighting in washrooms, supply rooms, and the parking garage, as well as lamps that reduce energy consumption throughout the office, allowing bcIMC to be more energy efficient;
- The use of environmentally friendly materials such as paint, cradle-to-cradle carpeting, and modular walls for offices and boardrooms;
- Opening up the office layout to let more natural light into our working areas; and
- Adding additional meeting rooms to facilitate greater collaboration and interaction amongst our staff.

The building has subsequently received the BOMA BESt Level 3 certification, only the third building on Vancouver Island to be awarded this status.

cost-effectiveness

bcIMC operates on a cost-recovery basis, and we aim to provide our clients with superior investment management services at a reasonable cost. This is partly possible through the economies of scale offered by managing over $74 billion, enabling us to charge lower fees than our peer group. Cost advantages are also possible with the internal management of almost 61 per cent of the assets we manage.

Our fees are determined by the type of assets under management, the management style, the markets invested in, and a client's asset mix and investment strategy.

Our operating costs were 14.6 cents per $100 of assets under management in 2008-2009. According to independent studies by Cost-Effectiveness Management Inc., our fees continue to be among the lowest per dollar of assets managed in the Canadian investment management industry today.

our board of directors

COMPOSITION OF THE BOARD

The *B.C. Public Sector Pensions Plan Act* ("the Act") requires our Board to have seven directors as follows:

- One director appointed by the College Pension Board from among its members;
- One director appointed by the Municipal Pension Board from among its members;
- One director appointed by the Public Service Pension Board from among its members;
- One director appointed by the Teachers' Pension Board from among its members;
- Two directors, representative of other clients, appointed by B.C.'s Minister of Finance; and
- One other director appointed by B.C.'s Minister of Finance and designated to be the Chair of the Board.

These nominating bodies are aware of our criteria relating to the knowledge, experience, and skill set we look for in bcIMC directors. These criteria are disclosed on our website.

BOARD INDEPENDENCE

All directors and the Board Chair are non-executive directors and independent of management.

SID FATTEDAD, Vancouver, British Columbia

Now retired, Sid was formerly the Chief Financial Officer for WorkSafeBC for 14 years until December 2007. Prior to that appointment, he was the Senior Vice President of Customer Service for Canadian Airlines International and held other senior executive management positions during his 25 years at the corporation. Sid is a Fellow of the Certified General Accountants Association of Canada, and is a recipient of the prestigious John Leslie award from the Association for exemplary public service. He is also a recipient of the Canada 125 Award for outstanding service to Canada. In 2008 Sid obtained the Certificate of Director Education from the National Association of Corporate Directors.

bcIMC Board and Committee Appointments	
Director since November 1, 1999 Current term to April 30, 2010 Appointed by B.C.'s Minister of Finance Independent	Chair bcIMC Board of Directors (2007-present) Member, Audit Committee (2000-2002) Member, Human Resources and Compensation Committee (2003-2007)

Other Board Directorships/Trusteeships During the Last Five Years				
	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM	
Coast Mountain Bus Company	2005-present	-	Y	2005-present
Industrial Alliance Pacific	2007-present	Audit Committee Conduct Review Committee	N	-
Terminal City Club of Vancouver	2001-present	-	N	-
WCB Superannuation Plan (Trustee)	1994-2007	-	Y	2000-2007

JOAN AXFORD, Victoria, British Columbia

Joan is the Secretary-Treasurer for School District No. 63 (Saanich) and has been involved in public education since 1983. This included work with school districts and the Ministry of Education and serving as President of the B.C. Association of School Business Officials in 2002-2003. Joan is the 2005 recipient of the Larry Ozero Leadership Award for leadership in school district corporate and business administration. Joan is a professional accountant and holds a CMA designation.

bcIMC Board and Committee Appointments	
Director since November 1, 1999 Current term to December 31, 2011 Appointed by the Teachers' Pension Board of Trustees Independent	Chair, Human Resources and Compensation Committee (2002-present) Member, Audit Committee (2000-2002)

Other Board Directorships/Trusteeships During the Last Five Years				
	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM	
B.C. Association for School Business Officials	2001-2004	Professional Development Committee	Y	2002-2003
Teachers' Pension Plan (Trustee)	1999-present	Benefits and Communications Committee (Chair)	N	-

FRANK LEONARD, Saanich, British Columbia

Frank is the Mayor of the District of Saanich, an office he has held since his election in 1996. Prior to his election, Frank managed three Victoria Tire Ltd. stores in Greater Victoria. He has served as the President of the Greater Victoria Chamber of Commerce and as a director of Tourism Victoria and also the Greater Victoria Economic Development Commission. Frank is currently a part-time business management instructor at the University of Victoria and was an MBA advisor at Royal Roads University. He holds a B.A. (Honours) and a M.A. from the University of Victoria.

bcIMC Board and Committee Appointments	
Director since January 1, 2007 Current term to December 31, 2009 Appointed by the Municipal Pension Board of Trustees Independent	Chair, Audit Committee (2007-present)

Other Board Directorships/Trusteeships During the Last Five Years				
	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM	
Capital Regional District and Capital Regional Hospital District	1987-present	-	Y	1990-1995
Federation of Canadian Municipalities	2006-present	Community Safety Finance and Infrastructure	N	2007-present (B.C. Caucus Chair)
F.V. Leonard Holdings	1972-present	-	N	-
Municipal Finance Authority	2000-present	Finance and Administration	Y	2000-present
Municipal Pension Plan (Trustee)	2002-present	Benefits Committee Employer Eligibility Committee Investment Committee Valuation Committee	N	-
Saanich Police Board	1996-present	-	Y	1996-present
Union of B.C. Municipalities	1999-2005	-	Y	2003-2004
Victoria Regional Transit Commission	1989-1991 1996-present	-	N	-
Victoria Tire Ltd	1974-present	-	N	-

bcIMC our board of directors

ANNE LIPPERT, Vancouver, British Columbia

Anne is the Principal of Anne Lippert Consulting and Vice President Lippert Investments Ltd. Anne retired from the Royal Bank in 1999 where she was Vice President, Strategic Initiatives, British Columbia & Yukon, and also responsible for the management of the Royal Bank Financial Group Foundation Committee. Anne consults on corporate social responsibility, corporate governance, and revenue and development strategies for not-for-profits. Anne is a recipient of numerous business and leadership awards, with the 2004 Leadership Vancouver Award being the most recent.

bcIMC Board and Committee Appointments	
Director since October 15, 2007 Current term to October 15, 2010 Appointed by B.C.'s Minister of Finance Independent	Member, Human Resources and Compensation Committee (2007-present)

Other Board Directorships/Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM	
Bill Reid Foundation	1999-present	Finance Committee (Chair)	N	-
British Columbia Institute of Technology (Governor)	1999-2005	Audit Committee (Chair) Tributes Committee (Chair)	N	-
Kate Booth House Community Council	2003-present	-	Y	2003-present
KCTS Channel 9 Advisory Board	1995-present	-	Y*	2001-present
Langara College, Board of Governors	2008-present	Audit Committee	N	-
Pacific Coast Public Television	2006-present	Development Committee	N	-
Pacific Pilotage Authority	1998-2005	Audit Committee (Chair) Safety and Operational Review Committee (Chair)	N	-
Salvation Army Advisory Board	Life member	Hope in the City Committee	N	-
SFU Morris J. Wosk Centre for Dialogue Advisory Council	2002-2005	-	N	-
Sutton Group Financial Services Ltd.	2000-2004	Finance Committee	N	-

* Anne serves as the Canadian Vice Chair of this Seattle-based organization

RON MCEACHERN, North Saanich, British Columbia

Ron has worked in human resources and labour relations for over 30 years. Prior to retiring in 2005, Ron was an Associate Deputy Minister of Employee Relations in the B.C. Public Service Agency. Ron holds a B.Sc. from the University of Victoria and has completed several certificate courses with the International Foundation of Employee Benefit Plans in the Advanced Trustee Management Standards Program.

bcIMC Board and Committee Appointments	
Director since April 1, 2007 Current term to March 31, 2010 Appointed by the Public Service Pension Board of Trustees Independent	Member, Human Resources and Compensation Committee (2007-present)

Other Board Directorships/Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM	
British Columbia Pension Corporation	2008-present	Human Resources Committee	N	-
Public Service Pension Board (Trustee)	2002-present	Benefits and Communication Committee Communications Sub-committee Litigation Committee	N	-
Ron E. McEachern & Associates Ltd.	2004-present	-	Y	2004-present

JOANNE MCLEOD, Vancouver, British Columbia

Joanne served as Vice President and Treasurer of Westcoast Energy Inc. Previously, she held various positions with Canadian Imperial Bank of Commerce. Joanne holds a Bachelor of Commerce from the University of Saskatchewan and a Bachelor of Laws degree from Queen's University. In 2008, Joanne completed the Institute of Corporate Directors Education Program and obtained the ICD.D certification.

bcIMC Board and Committee Appointments	
Director since December 31, 2007 Current term to December 31, 2010 Appointed by B.C.'s Minister of Finance Independent	Member, Audit Committee (2008-present)

Other Board Directorships/Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM	
British Columbia Transmission Corporation	2003-present	Audit Committee (Current member) Capital Review Committee (Chair) Human Resources, Safety and Environment Committee (Past member)	N	-
Forum for Women Entrepreneurs	2002-2004	-	N	-
St. Paul's Hospital Foundation	2001-present	Finance Committee (Current member and past Chair)	N	-

JOHN WILSON, New Westminster, British Columbia

John is an instructor at the School of Business, Capilano College. Previously, he was a general practice manager and computer audit specialist with Coopers & Lybrand and was one of Canada's early Certified Information Systems Auditors. John is Past President of Capilano College's faculty association and has been its Chief Negotiator and Chief Steward. John has been active in pension matters for 20 years and is involved in provincial pension issues on behalf of the Federation of Post Secondary Educators of B.C. John is a Chartered Accountant and has the ICD.D certification.

bcIMC Board and Committee Appointments	
Director since September 1, 2005 Current term to August 31, 2010 Appointed by the College Pension Board of Trustees Independent	Member, Audit Committee (2005-present)

Other Board Directorships/Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM	
British Columbia Pension Corporation	2000-2005	Audit and Finance Committee Human Resources Committee	Y	2000-2001* 2002-2003* 2004-2005*
Capilano College Faculty Association	1986-present	Bargaining Committee Executive Committee Joint Standing Committee	Y	2006-2007 2008-2009
College Pension Plan (Trustee)	2000-present	Benefits Committee Communications Committee (Past Chair) Interplan Audit Committee (Chair) Litigation Committee (Past member) Interplan Succession Committee (Past member)	N	-
Federation of Post Secondary Educators	1988-2004	Pension Advisory Committee (Past Chair and past member) President's Council (2007 and 2009)	N	-
iGEN Knowledge Solutions	2000-present	-	N	-
Shiloh-Sixth Avenue United Church	2007-present	Board of Trustees	N	-
United Church of New Westminster	2002-2004	Joint Needs Assessment	N	-

*Fiscal year terms

our corporate governance

The Board of Directors is responsible for ensuring bcIMC has appropriate controls and accountabilities in place and that bcIMC provides satisfactory service to our clients.

THE GOVERNANCE FRAMEWORK

bcIMC was established by the *B.C. Public Sector Pensions Plan Act* (the "Act"). In accordance with the Act, the Board oversees bcIMC's operations, reviews and monitors the CEO/CIO's performance, and ensures proper reporting and accountability to our clients. The Board is also required to approve pooled fund investment policies, to select and appoint our CEO/CIO and auditors, to approve the business plan and annual budget, and to establish an employee classification system and compensation scale.

Investment professionals under the supervision of the CEO/CIO make all investment decisions within the framework of the policies approved by the Board and established by bcIMC's clients.

ROLE AND ACCOUNTABILITY OF THE CHIEF INVESTMENT OFFICER

The Act defines the Chief Investment Officer as the Chief Executive Officer with responsibility for bcIMC's day-to-day operations. The CEO/CIO is accountable to the Board for the efficiency and effectiveness of the corporation in carrying out its mandate. The CEO/CIO is also responsible to each client regarding its individual investment policy, asset mix policy, and performance.

Among other responsibilities, the CEO/CIO hires staff and external managers, prepares the annual business plan and budget, and establishes policies and procedures to meet operational objectives. The CEO/CIO ensures risk and returns are managed in a prudent and appropriate fashion consistent with client instructions and recommends changes in investment strategies to clients.

BOARD ACTIVITY AND COMMITTEES

The Board meets on a quarterly basis. Meetings are scheduled in advance. Additional meetings are arranged when issues arise that require immediate Board attention.

The Board has two standing committees:

- The Audit Committee, consisting of three directors, meets at least three times a year and oversees bcIMC's audit programs, financial management controls, and financial reporting.
- The Human Resource and Compensation Committee, consisting of three directors, meets at least twice a year and reviews matters relating to human resource strategies, compensation philosophy, succession management, performance incentive plans, and employee classification systems.

The CEO/CIO attends all Board and Committee meetings (although the CEO/CIO cannot be a director).

Board and committee meetings held during the fiscal year:

	NUMBER OF MEETINGS HELD
Board	4
Audit Committee	3
Human Resources and Compensation Committee	2

DIRECTOR ATTENDANCE

The table details director attendance at Board and Committee meetings held in 2008-2009. Directors who are members of Committees are expected to attend all Committee meetings; directors who are not Committee members may be invited to attend meetings as a guest.

	BOARD		AUDIT COMMITTEE		HRCC		INDIVIDUAL ATTENDANCE RATE	
	Sid Fattedad chair		Frank Leonard chair		Joan Axford chair			
Sid Fattedad	4/4	100%					4/4	100%
Joan Axford	4/4	100%			2/2	100%	6/6	100%
Frank Leonard	4/4	100%	3/3	100%			7/7	100%
Anne Lippert	4/4	100%			2/2	100%	6/6	100%
Ron McEachern	4/4	100%			2/2	100%	6/6	100%
Joanne McLeod	4/4	100%	3/3	100%			7/7	100%
John Wilson	4/4	100%	3/3	100%	2/2	100%	9/9[1]	100%
Overall Attendance Rate		100%		100%		100%		100%

[1] John Wilson attended two HRCC meetings as an invited guest.

DIRECTOR ORIENTATION

bcIMC maintains an orientation program for new directors. Each new director receives a binder with information on the Board's functions and responsibilities, bcIMC's business plan, budget, organizational structure, human resource policies, and risk management programs, as well as the Board Recovery Plan and details on key operational functions. The CEO/CIO and senior management staff assist with the orientation of new directors.

DIRECTOR CODE OF CONDUCT

The *Director Code of Conduct* outlines the minimum standard of conduct required of all directors. Directors must make timely disclosure of any direct or indirect interest, material or not, in any proposed or completed bcIMC contract, transaction, or investment. Directors must also abstain from voting on matters in which they have a personal interest. A copy of the *Director Code of Conduct* is available on the bcIMC website.

BOARD EVALUATION AND ASSESSMENT

With the assistance of Versity HR Solutions Inc., the directors completed a Board self-evaluation process designed to enable the directors to assess the effectiveness of the Board in key areas and elicit suggestions for improvement. The Board discussed the results and identified areas that require additional or new emphasis. The Human Resources and Compensation Committee administered the process.

CONTINUING DIRECTOR EDUCATION

This program is a combination of courses and conferences offered by external parties, guest speakers at Board meetings, and regular discussions on pre-determined topics with our executive management.

While directors take personal responsibility for selecting educational opportunities, directors are encouraged to enrol in professional development courses and participate in industry-related conferences or seminars.

The Board of Directors' extranet provides directors with listings of conferences, seminars, and courses and other relevant information. bcIMC reimburses education-related expenses. Continuing director education for 2008-2009 is disclosed on page 53.

GOVERNANCE INITIATIVES

The Board is committed to demonstrating a high standard of oversight of bcIMC's activities, and in so doing regularly assesses its governance practices against industry guidelines. During the year the Board undertook a range of governance-related initiatives, in particular:

- Reviewed the Board's governance framework and the respective responsibilities of the Board, the CEO/CIO, and the clients, as well as the reporting relationships;
- Updated the Audit Committee mandate;
- Reviewed bcIMC's Enterprise-Wide Risk Management Framework and the relationship with the Internal Audit function;
- Adopted the bcIMC Credit Risk Framework;
- Amended the staff *Code of Conduct* to limit derivative transactions and prohibit short selling by staff within their personal investment portfolios; and
- Participated in two simulated crisis scenarios and tested the recovery procedures within the Directors' Guide to Recovery.

Continuing Director Education for 2008-2009

	TOPIC	PRESENTED/HOSTED BY	DATE
All Directors	Key Trends in the Digital Media	Paul Lee, Van Edge Capital	March 30, 2009
Joan Axford	B.C. Public Sector Pension Conference	College Pension Board of Trustees; Municipal Pension Board of Trustees; Public Service Pension Board of Trustees; Teachers' Pension Board of Trustees	November 5-6, 2008
Sid Fattedad	Certificate of Director Education – Director Professionalism	National Association of Corporate Directors	April 14-15, 2008
Ron McEachern	B.C. Public Sector Pension Conference	College Pension Board of Trustees; Municipal Pension Board of Trustees; Public Service Pension Board of Trustees; Teachers' Pension Board of Trustees	November 5-6, 2008
	Advanced Trustee Management Standards – Part III	International Foundation	November 15-16, 2008
	Canadian Investment Institute	International Foundation	November 16-19, 2008
Joanne McLeod	The Conversion to International Financial Reporting Standards	PricewaterhouseCoopers	April 23, 2008
	Director Education Program – Module 2: Financial Literacy for Directors	Institute of Corporate Directors	May 2-4, 2008
	Risk in an Evolving Environment; Vancouver Audit Committee Roundtable Series	KPMG LLP	June 5, 2008
	Director Education Program – Module 3: Guiding Human Performance	Institute of Corporate Directors	June 20-22, 2008
	Director Education Program – Module 4: Assessing Enterprise Risk and Directing Extreme and Unique Events	Institute of Corporate Directors	September 5-7, 2008
	Director Certification Exams	Institute of Corporate Directors	October 16, 2008 October 29, 2008
	B.C. Public Sector Pension Conference	College Pension Board of Trustees; Municipal Pension Board of Trustees; Public Service Pension Board of Trustees; Teachers' Pension Board of Trustees	November 5-6, 2008
	Turbulent Economic Times	Institute of Corporate Directors	January 13, 2009
John Wilson	International Financial Reporting Standards for Directors	Institute of Corporate Directors	May 13, 2008
	Understanding International Financial Reporting Standards	Chartered Accountants of Canada	May 22-23, 2008
	Crisis Prevention and Management	Institute of Corporate Directors	October 14, 2008
	Director's Update on Sustainability	PricewaterhouseCoopers	October 28, 2008
	B.C. Public Sector Pension Conference	College Pension Board of Trustees; Municipal Pension Board of Trustees; Public Service Pension Board of Trustees; Teachers' Pension Board of Trustees	November 5-6, 2008
	Audit Committee Conference	Chartered Accountants of Canada	November 20-21, 2008
	Social Networking, Risks, Mitigation and Opportunities	Institute of Corporate Directors	November 25, 2008
	Turbulent Economic Times	Institute of Corporate Directors	January 13, 2009
	Public Private Partnerships in B.C.	Association of Professional Economists of B.C.	March 2, 2009
	Private Equity in the Boardroom	Institute of Corporate Directors	March 3, 2009

compensation discussion and analysis

bcIMC operates in an industry that competes globally for the skills and expertise of investment-related and management professionals.

We seek to recruit and retain staff to provide leadership in global investment management and business-related functions. We provide rewarding work opportunities, support continued professional development, and pay competitive base salaries.

HRCC MANDATE

The Human Resources and Compensation Committee (HRCC) assists the Board in ensuring that bcIMC retains a productive workforce and that human resource policy and practices align staff activity with client performance and business objectives. The HRCC monitors and makes recommendations to the Board on the following matters:

- Trends and external market practices regarding compensation, benefits, and terms and conditions of employment;
- Human resources and compensation philosophy;
- bcIMC's employee classification system and compensation scale;
- Comparators and competitive positioning of compensation;
- bcIMC's performance incentive plans;
- Salary and performance-related matters for the CEO/CIO;
- New human resource strategies and supporting policies;
- The effect of proposed changes to terms and conditions of employment, compensation-related plans, and code of conduct provisions; and
- bcIMC's succession management plan.

The HRCC meets at least twice a year and consists of three directors with diverse backgrounds and experience in compensation matters. Members of the HRCC are appointed by the Board and are independent of management. The CEO/CIO and Vice President, Human Resources participate in the discussions, but are not members of the HRCC. Two *in camera* sessions were held during 2008-2009.

COMPENSATION CONSULTANTS AND EXTERNAL SOURCES

bcIMC's compensation philosophy and structure is regularly reviewed. In-depth reviews are conducted every three years, with the latest detailed appraisal taking place in 2006-2007. The HRCC is guided by independent consultants and market data is provided by external sources. Base salaries are reviewed on an annual basis to ensure consistency with the compensation philosophy.

Mercers (Canada) Limited was retained in 2006-2007 to assist the HRCC with the comprehensive review of the compensation programs. As a result of this review and effective April 1, 2007, the Board increased base salary for all staff and increased the performance-linked remuneration opportunities for investment professionals. The impact of this decision is reflected in the Summary Compensation Table on page 58.

Each year market data compiled by Towers Perrin Investment Management Compensation Survey and Mercer Investment Management Compensation

Survey is made available to the HRCC. The data is utilized in the annual compensation decisions to ensure that base salaries continuously reflect the compensation philosophy.

bcIMC'S COMPENSATION PHILOSOPHY AND STRUCTURE

The bcIMC Board's compensation philosophy is to pay median base salary levels complemented by performance incentive plans that align staff interests with client objectives and discourage undue risk-taking.

Our compensation structure for executive management includes a base salary, benefits, and performance-based remuneration through an annual incentive plan (AIP) and a long-term incentive plan (LTIP). As a statutory corporation with one share with a par value of $10, bcIMC does not issue share options to our staff.

Base Salary: Staff salaries, including executive management, are guided by the Board's compensation philosophy to pay median salaries among other large in-house public pension funds in Canada. For non-investment roles, defined as core services, the comparator group is expanded to include public and private sector employers within British Columbia.

Benefits: Other benefits include bcIMC's funded benefits and provisions such as medical, dental, extended health, health savings account, life insurance coverage, and contributions to the Public Service Pension Plan (a defined benefit pension plan). bcIMC also contributes to legislated benefits such as Worker's Compensation, Employment Insurance, and Canada Pension Plan. Wage loss protection for permanent staff is provided through a short-term illness and injury plan as well as a long-term disability plan.

Annual Incentive Plan: All permanent employees are eligible to participate in the AIP which is designed to align employee performance with the achievement of client-driven investment and business objectives. AIP payments are calculated as a percentage of salary, weighted to reflect the role and impact the position has on corporate results. The payments reflect overall investment performance measured against industry benchmarks, and the department's role in attaining investment returns and contributing to business objectives such as risk management and client servicing, as well as the individual's contribution to defined results. Performance is rated according to three value drivers:

1. Total Fund Performance – to align overall investment performance with client expectations and to promote corporate-wide teamwork. The investment performance achievement is measured over a four-year sustained basis, with emphasis on the most recent year;
2. Business Unit Performance – to recognize both investment and non-investment performance objective achievement of the business unit team; and
3. Individual Contribution – to encourage and reward high performance through individuals' efforts.

A portion of the AIP payment is derived from investment performance over a four-year period with added emphasis on annual returns, and the remainder of the payment reflects annual achievement of business objectives such as technological advances and management of risk.

Disbursement of payments under the AIP occurs the fiscal year after they are earned. The Summary Compensation Table reports AIP in the year it was earned to illustrate the alignment between the AIP payment and performance.

Long-Term Incentive Plan: This plan is designed to enhance the retention of key staff with desirable skills and experience critical to bcIMC's long-term success. The LTIP has a four-year employment vesting period before a first payment is disbursed to an eligible staff member.

The LTIP provides the opportunity to earn additional remuneration based on investment return performance over a four-year period achieved on behalf of our clients and net of operational costs. This is achieved by linking a portion of the personal remuneration to bcIMC's long-term investment performance. The LTIP formula rewards overall investment return performance results, with emphasis on consistent value-added performance every year, accruing over a four-year period. A series of installments accrue over the investment period (four years), resulting in a grant (comprised of four consecutive installments), payable in each eligible year for which the LTIP criteria are satisfied.

A grant payment is disbursed after the fourth fiscal of accruing installments. As with the AIP, actual disbursement of the grant occurs early in the following fiscal year. The Summary Compensation Table reports LTIP in the year it was earned to illustrate the alignment between the LTIP payment and performance.

SUMMARY PERFORMANCE

The annual combined pension return for the year ending March 31, 2009 is -14.6 per cent compared to a combined client benchmark of -11.1 per cent. While this result is very disappointing, it compares favourably to the results of other Canadian pension funds, ranking bcIMC's clients in the top 25 per cent of funds in comparison to the median universe returns that range from -16.3 per cent to -16.7 per cent. The year ending March 31, 2009 is the first time in several years that bcIMC has not met its clients' benchmarks overall. This underperformance relative to benchmark is primarily attributable to the extreme volatility in the markets and challenging conditions for all asset classes last year. Despite the disappointing return last year, over the longer-term, investment return performance has been positive for clients and bcIMC has added value. For example, over the four years ending March 31, 2009, bcIMC has added over $800 million in value above the combined clients' benchmarks. This performance has generated a partial payment under the AIP and LTIP in 2008-2009.

bcIMC's Business Plan also outlines a number of non-financial goals and specific initiatives in support of Risk Management, Responsible Investing, Client Servicing, and Building bcIMC. Each quarter, the bcIMC Board reviews the progress made with respect to the implementation of the Business Plan.

BUSINESS PLAN PILLAR	KEY OBJECTIVE	ACTUAL PERFORMANCE
Pillar 1: Investment Returns	To meet or exceed our clients' investment return expectations, subject to their tolerance for risk, net of costs.	Annual Performance: Not Achieved Multi-Year Performance: Achieved three out of four years
Pillar 2: Risk Management	To continually identify and manage enterprise-wide risks that could affect investment outcomes and impact operational efficiency as well as our reputation.	Achieved
Pillar 3: Responsible Investing	To provide leadership in corporate governance and responsible investing.	Achieved
Pillar 4: Client Servicing	A culture of client service throughout the corporation that enables the provision of high quality service and builds a lifelong partnership with clients.	Achieved
Pillar 5: Building bcIMC	A results-oriented, innovative, and knowledgeable team, with efficient systems and technology, operating at a reasonable cost, and with sound governance.	Achieved

In three of the four years from April 2005 to March 2009, the investment performance generated an installment toward a future grant for payment under the LTIP, as illustrated in the Long-Term Incentive Plan Grants table. The formula for value added performance is calculated as the clients' total portfolio return including a value-added objective, net of fees, and minus the benchmark return. In this way, the value-added calculation reflects the risk-adjusted returns from the portfolio net of costs and is a transparent method for calculating long-term incentive performance rewards. Going forward, the reduced investment return performance in 2008-2009 will impact payments under both the AIP and LTIP up to and including 2011-2012.

Long-Term Incentive Plan Grants

PERFORMANCE YEAR	MAXIMUM INSTALLMENT WEIGHTING TOWARD FUTURE LTIP GRANT	ACTUAL PERFORMANCE
2008-2009	25.00%	00.00%
2007-2008	25.00%	23.84%
2006-2007	25.00%	22.37%
2005-2006	25.00%	23.16%

EXECUTIVE COMPENSATION

The total compensation in 2008-2009 of the five most highly compensated officers is disclosed in the Summary Compensation Table on page 58. Total compensation for bcIMC's named executive officers was $3.3 million in 2008-2009 ($2.2. million in 2007-2008). Total compensation for our entire staff complement was $22.2 million in 2008-2009 ($21.5 million in 2007-2008). A portion of this year-over-year increase is attributable to the planned growth in the staff complement.

DIRECTOR REMUNERATION

The *B.C. Public Sector Pensions Plan Act* provides that bcIMC may pay directors remuneration for their service on the Board and its Committees that is consistent with the Province of British Columbia's Treasury Board guidelines. If a director already receives remuneration for bcIMC Board or Committee service, such fees are paid to the director's employer. The table details director remuneration for 2008-2009.

Director Remuneration for 2008-2009

	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
Sid Fattedad	$20,000	$3,500			$23,500
Joan Axford[1]	$10,000	$3,500	$5,000	$1,000	$19,500
Frank Leonard	$10,000	$3,500	$5,000	$1,000	$19,500
Anne Lippert[2]	$10,000	$3,500		$1,000	$14,500
Ron McEachern	$10,000	$3,500		$1,000	$14,500
Joanne McLeod	$10,000	$3,500		$1,000	$14,500
John Wilson[3]	$10,000	$3,500		$2,000	$15,500
Total	$80,000	$24,500	$10,000	$7,000	$121,500

[1] Remuneration fees are paid to School District No. 63.
[2] Remuneration fees are paid to Anne Lippert Consulting.
[3] Effective August 1, 2008, remuneration fees are paid to the Federation of Post Secondary Education. Prior to that date, $4,833 was paid to John Wilson as an individual.

Summary Compensation Table

NAME AND PRINCIPAL POSITION	YEAR	BASE SALARY[1]	ANNUAL INCENTIVE[2,3,4]	LONG-TERM INCENTIVE[2,3,4]	BENEFITS AND OTHER COMPENSATION[5]	TOTAL COMPENSATION[6]
Doug Pearce CEO/CIO	2008-2009	445,939	418,280	92,237	61,867	1,018,323
	2007-2008	421,918	450,590	108,001	61,032[7]	1,041,541
	2006-2007	337,496	171,054	72,733	48,034	629,317
Lincoln Webb[8] VP, Private Placements	2008-2009	297,249	276,685	-	42,178	616,112
	2007-2008	223,273	227,156	-	51,702[7]	502,131
	2006-2007	158,714	74,918	-	25,734	259,366
Bryan Thomson VP, Equity Investments	2008-2009	248,915	203,612	53,902	34,938	541,367
	2007-2008	238,430	218,858	64,970	51,672[7]	573,930
	2006-2007	199,029	76,823	47,239	28,533	351,624
Daryl Jones VP, Research and Risk Measurement[9]	2008-2009	219,133	180,380	49,233	31,333	480,079
	2007-2008	213,612	238,721	60,301	30,627	543,261
	2006-2007	179,684	74,735	46,236	28,044[7]	328,699
Chuck Swanson VP, Real Estate	2008-2009	218,788	181,095	45,715	32,691	478,289
	2007-2008	198,754	202,566	55,777	46,875[7]	503,972
	2006-2007	169,287	67,941	42,431	26,598	306,257

[1] Base salaries are guided by the Board's compensation philosophy to pay market median among other large pension fund managers in Canada.

[2] The values of incentive payments have been listed beside the performance year in which they were earned; the actual disbursement occurs in the following fiscal year. This is a change in our reporting approach from previous annual reports to accurately reflect the alignment between performance and performance-linked pay.

[3] A component of the incentive plan values reflects performance over a four-year time frame.

[4] Both the Annual Incentive Plan and the Long-Term Incentive Plan were amended effective April 1, 2007, providing an increased maximum opportunity for performance-linked compensation for the identified individuals.

[5] These values include bcIMC funded group health and welfare benefits and illness wage-loss provisions, parking, and contributions paid by bcIMC on behalf of the named individuals to the Public Service Pension Plan, and legislated benefits including Canadian Pension Plan, Employment Insurance, and Workers' Compensation.

[6] Values in this table constitute the total compensation received by, or paid on behalf of, the identified individuals. All values are inclusive.

[7] These values include a pay out of unused vacation entitlement.

[8] The increases in base salary levels for Lincoln Webb are a combination of progression to full job rate and a move to pay market median base salary.

[9] Daryl Jones changed positions from VP, Consulting and Client Services, to VP, Research and Risk Management effective April 1, 2008.

bcIMC glossary

AGENCY BONDS:
Bonds issued by government agencies or multilateral organizations such as the World Bank.

ASSET-BACKED COMMERCIAL PAPER:
A short-term investment vehicle backed by a pool of receivables such as mortgages, consumer loans, and credit card receivables and guaranteed by a bank.

BOMA BESt:
A building environmental standards certification program for commercial real estate in Canada. Prior to 2008-2009, BOMA Canada offered BOMA Go Green and BOMA Go Green Plus certification programs.

COLLATERALIZED DEBT OBLIGATIONS:
Structured asset-backed securities whose value and payments are derived from a portfolio of fixed income securities.

CREDIT DEFAULT SWAPS:
A swap designed to transfer the credit exposure of fixed income products between parties.

DERIVATIVE-BASED PRODUCTS:
The repackaging of debt instruments into a secondary pool of assets against which a debt obligation is issued (for example collateralized debt obligations and collateralized loan obligations).

DURATION TIMING:
A strategy in which the portfolio manager anticipates changes in interest rates and adjusts the duration of the fixed income portfolio accordingly.

HEDGE:
Involves taking an offsetting position in a related security to reduce the risk of adverse price movements in an asset.

HYBRID SECURITIES:
A group of securities that combine debt and equity. These securities pay a predictable rate of return or dividend until a determined date, whereafter the holder may convert the securities into the underlying equity.

INTEREST RATE FLOORS:
A risk management measure that protects the investor from losses resulting from a decrease in interest rates.

LEED:
The acronym for Leadership in Energy and Environmental Design, a voluntary, consensus-based national standard for developing high performance, sustainable buildings sponsored by the U.S. Green Building Council.

LEVERAGE:
The use of various financial instruments or borrowed capital, such as margin, to increase the potential return of an investment.

REAL RETURN BONDS:
Inflation protected bonds.

SECURITY SELECTION:
A strategy in which the portfolio manager adds value by selecting securities that are more likely to outperform their benchmark.

SPREADS:
The yield differential between government bonds and other fixed-income securities.

THIRD PARTY ASSET-BACKED COMMERCIAL PAPER:
A short-term investment vehicle issued by non-banks and backed by some traditional receivables and collateralized debt obligations, collateralized loan obligations, and credit default swaps. These investment vehicles do not carry bank guarantees.

UNDERWRITING:
The process of quantifying risks involved in a specific loan and setting suitable terms and conditions.

YIELD CURVE POSITIONING:
A strategy in which bonds are concentrated at certain terms to maturity, allowing portfolio managers to benefit from movements along the yield curve.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

bcimc Investment Management Corporation

Location: 3rd floor, 2940 Jutland Road, Victoria BC, V8T 5K6
Mailing Address: PO Box 9910, Victoria BC, V8W 9R1

May 14, 2009

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements of the British Columbia Investment Management Corporation (the "Corporation") rests with management. The financial statements, which by necessity include some amounts that are based on management's best estimates and judgements, are prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within the framework of the significant accounting policies summarized in the financial statements and present fairly the Corporation's financial position, results of operations and cash flow. The financial statements have been reviewed and approved by the Corporation's Board of Directors.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records maintained. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

These consolidated financial statements have been examined by the Corporation's independent auditor, KPMG LLP, and their report is presented herein.

Doug Pearce
Chief Executive Officer
Chief Investment Officer

David Woodward
Vice President, Finance & Operations

AUDITORS' REPORT TO THE SHAREHOLDER

KPMG

We have audited the consolidated balance sheet of British Columbia Investment Management Corporation as at March 31, 2009 and the consolidated statement of net income and comprehensive income, and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
May 14, 2009

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

	2009 ($000's)	2008 ($000's)
ASSETS		
Current assets		
Cash and cash equivalent *(note 4)*	10,639	8,539
Accounts receivable		
Direct costs *(note 5)*	22,115	40,747
Fees and other	3,653	3,220
Prepaid expenses	818	460
	37,225	52,966
Capital assets *(note 6)*	1,327	719
	38,552	53,685
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities		
Direct costs *(note 5)*	19,660	36,727
Other *(notes 7 and 8)*	14,416	12,238
	34,076	48,965
Long-term employee benefits *(note 7)*	1,902	2,292
	35,978	51,257
Equity		
Share capital *(note 1)*	-	-
General reserve	409	1,243
Retained earnings	2,165	1,185
	2,574	2,428
	38,552	53,685

Commitments *(note 9)*

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME, AND RETAINED EARNINGS

FOR YEAR ENDED MARCH 31

	2009 ($000's)	2008 ($000's)
REVENUES		
Recoveries of direct costs *(note 5)*	84,982	137,684
Funds management fees	31,678	28,636
Other	292	314
Total Revenues	116,952	166,634
EXPENSES		
Direct costs *(note 5)*	84,982	137,684
Salaries and benefits	22,178	21,486
Systems operations *(note 8)*	3,637	3,052
Office and business *(note 8)*	2,687	1,533
Rent	958	979
Insurance	637	622
Other	1,727	1,218
Total Expenses	116,806	166,574
NET INCOME and COMPREHENSIVE INCOME	146	60
RETAINED EARNINGS - beginning of year	1,185	1,125
TRANSFER FROM GENERAL RESERVE	834	-
RETAINED EARNINGS - end of year	2,165	1,185

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

	2009 ($000's)	2008 ($000's)
CASH FLOW PROVIDED BY (USED FOR):		
Operating activities		
Net Income for the year	146	60
Items not involving cash - Amortization	376	332
Changes in operating accounts		
Accounts receivable	18,200	(8,943)
Prepaid expenses	(358)	(119)
Accounts payable and accrued liabilities	(14,889)	9,791
Long-term employee benefits	(390)	365
Cash flows from operating activities	3,085	1,486
Investing activities		
Capital asset additions	(985)	(157)
INCREASE IN CASH AND CASH EQUIVALENT	2,100	1,329
CASH AND CASH EQUIVALENT - beginning of year	8,539	7,210
CASH AND CASH EQUIVALENT - end of year	10,639	8,539

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

1. Nature of Operations

The British Columbia Investment Management Corporation (the "Corporation") is a Crown corporation under section 16 of the *Public Sector Pension Plans Act*, S.B.C. 1999 c44 (the "Act"). The capital of the Corporation is one share with a par value of ten dollars. The share is issued and registered in the name of the Minister of Finance on behalf of the Province of British Columbia (the "Province").

In accordance with the Act, the Corporation manages the assets of various public sector pension funds, the Province, provincial government bodies (Crown corporations and institutions) and publicly-administered trust funds.

The estimated market value of assets managed by the Corporation as of March 31, 2009 was $75 billion (2008: $85 billion). Of that, $55 billion (2008: $65 billion) is invested on behalf of pension funds and $20 billion (2008: $20 billion) on behalf of various trust funds and other clients. These assets are invested in segregated investments or aggregated in one or more pooled investment portfolios managed and owned by the Corporation as trustee. The Corporation annually prepares separate audited financial statements for all pooled investment portfolios with more than one unitholder. The financial statements of the pooled investment portfolios and segregated assets held in trust for clients are not consolidated in the financial statements of the Corporation.

The Corporation may control and own the general partner of certain limited partnerships in which investments are made by pooled investment portfolios. The general partners are incorporated companies wholly owned by the Corporation. Clients hold their investments either as units of pooled investment portfolios or on a segregated basis. The financial statements of general partner entities which are controlled and in which the Corporation has a beneficial interest (referred to as subsidiaries) are consolidated in the Corporation's financial statements and include:

Subsidiary	Ownership of voting shares	Participation Interest
bcIMC Holdco (2007) Inc.	100%	Lesser of 0.001% and $10,000
4245997 Canada Inc.	100%	1/3 of 0.00001%
bcIMC Fixed-Term Corporation	100%	0.01%
bcIMC (IRE GP) Investment Corporation	100%	1/3 of 0.01%
bcIMC SIIF FX Investment Corporation	100%	Lesser of 0.001% and $10,000

The Corporation, as agent, makes investments on behalf of its clients and may also establish companies in which it holds voting (but non-participating) shares for the sole purpose of managing specific investments. As the Corporation has no beneficial interest in these entities, they are not consolidated in the Corporation's financial statements.

The Corporation recovers all operating expenses and capital expenditures on a cost recovery basis.

As an agent of the Crown, the Corporation is exempt from federal and provincial income taxes, both in respect of assets held for its own account and assets held in pooled investment portfolios.

2. Significant Accounting Policies

Basis of Presentation – The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Financial Instruments – The Corporation classifies its financial instruments into one of the following categories: held-for-trading; loans and receivables; and other liabilities.

All financial instruments are recorded at fair value when acquired.

Subsequent to acquisition, values are measured as follows:

Cash and cash equivalent (comprised of money market funds, which are readily convertible to cash) are classified as held-for-trading and accordingly are measured at fair value. The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties under no compulsion to act.

Accounts receivable are classified as loans and receivables and are accordingly measured at amortized cost.

Accounts payable and accrued liabilities and long-term employee incentives included in long-term employee benefits are classified as other liabilities and accordingly are measured at amortized cost.

Capital Assets – Capital assets are recorded at cost less accumulated amortization. Software development costs, including external labour and material costs for design, construction, testing and implementation, are capitalized when the related business systems are expected to be of continuing benefit to the Corporation.

Amortization is calculated on a straight-line basis over the following estimated useful asset lives:

Furniture, equipment	10 years
Computers and related software	3-5 years

Leasehold improvements are amortized on a straight-line basis over the remaining life of the lease term.

Long-term Incentive Plan – The Corporation provides a retention incentive to employees in senior staff positions through a long-term incentive plan ("LTIP"). Eligible staff are entitled to their first LTIP payment after four complete fiscal years of employment with the Corporation. LTIP is accrued for eligible employees at an amount equal to one quarter of the estimated aggregate pay-out for the current year and each of the following three years. The estimated payments for years beyond the next fiscal year are recorded as a long-term liability.

Post-Employment Benefits

a) The Corporation and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the Act. The British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. The Plan is a multi-employer defined benefit pension plan, and accordingly the Corporation's annual cost is represented by contributions required for the respective year. The Plan operates under joint trusteeship between the employers and the Plan members, who share in the risks and rewards associated with the Plan's unfunded liability or surplus. The most recent actuarial valuation as of March 31, 2008 indicated that the Plan is in a surplus position.

b) The Corporation's annual cost of employee benefits under the Plan amounted to $1,302,000 (2008: $1,181,000).

c) Employees hired prior to October 31, 2007 are also entitled to a long service retiring allowance as provided for under their terms of employment. As employees render the services necessary to earn the benefit, the Corporation estimates and accrues the future obligation for retiring allowances. The accrued liability for retiring allowances is $762,000 (2008: $684,000).

Revenues – Revenues are received from: recoveries of direct costs related to the pooled investment portfolios and segregated investments; fees charged for funds management services; and the Corporation's investments.

Direct cost recoveries and funds management fees revenues are accrued as the related costs are incurred and as management services are provided. Fees are charged at a level that the Corporation estimates will allow it to recover all cash outlays and accrued expenses, including capital expenditures.

General Reserve – General reserves for future expenditures may be appropriated from retained earnings at the discretion of the Board. The Board has authorized access to the General Reserve for the purposes of certain employee compensation payments and for errors and omissions payments

Measurement Uncertainty – The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts on the Consolidated Balance Sheet and Consolidated Statement of Net Income and Comprehensive Income, and Retained Earnings. Subjective estimates include the annual incentive plan, long-term incentive plan and long service retiring allowance accruals. Management believes its estimates to be appropriate, however, actual results could differ and any differences will be reflected in the future period in which they are identified.

3. Adoption of New Accounting Standards

On April 1, 2008, the Corporation adopted the following standards issued by the Canadian Institute of Chartered Accountants (CICA):

a) Section 3855, Financial Instruments – Recognition and Measurement;
b) Section 3862, Financial Instruments – Disclosures;
c) Section 3863, Financial Instruments – Presentation;
d) Section 1535, Capital Disclosures; and
e) Section 1530, Comprehensive Income.

Section 3855 - Financial Instruments – Recognition and Measurement

Under Section 3855, the Corporation is required to classify its financial instruments as held for trading, held to maturity, loans and receivables, available for sale, or other liabilities. The Corporation has classified its financial instruments and accounts for these financial instruments on the basis described in note 2. The standard requires retrospective adoption without restatement of comparative balances. The implementation of this standard did not have a significant impact on the Corporation's financial instruments as the measurement basis adopted for the Corporation's financial instruments under this new standard, was not materially different from the basis previously applied. Accordingly, no transition adjustment was required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

Section 3862 - Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation

These new sections increase the disclosures related to financial instruments, and the nature, extent and management of the risks arising from financial instruments. These standards do not impact the recognition or measurement of financial instruments. The new required disclosure is provided in notes 2 and 10.

Section 1535 – Capital Disclosures

This section requires disclosure of information related to the objectives, policies and processes for managing capital. The application of this standard does not have a significant impact as the Corporation operates on a cost recovery basis and is not subject to any regulatory or other capital restrictions.

Section 1530 – Comprehensive Income

This section requires that an enterprise presents comprehensive income and its components in a separate financial statement that is displayed in the same prominence as the enterprise's other financial statements. Other comprehensive income refers to items that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles. This standard does not have a significant impact as the Corporation has no financial instruments that would otherwise generate comprehensive income.

4. Cash and Cash Equivalent ($000's)

Cash equivalent consist of units in pooled investment portfolios managed by the Corporation, specifically the Canadian Money Market Fund ST2 and the U.S. Money Market Fund ST3. U.S. dollar investments are translated at the year-end foreign exchange rate.

	2009			2008		
	Canadian	U.S.	Total	Canadian	U.S.	Total
Cash (Overdraft)	70	29	99	(717)	(102)	(819)
Cash Equivalent	10,517	23	10,540	9,351	7	9,358
	10,587	**52**	**10,639**	**8,634**	**(95)**	**8,539**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

5. Direct Costs ($000's)

The Corporation contracts with third parties for investment, custodial, legal, audit and other services.

Costs related to providing funds management services on behalf of a specific client's segregated investment or a pooled investment portfolio managed by the Corporation are recovered directly from that entity. These direct costs are shown as expenses, and the recovery of these costs as revenue, in the Consolidated Statement of Net Income and Comprehensive Income, and Retained Earnings.

The breakdown of direct costs as reported in the Consolidated Statement of Net Income and Comprehensive Income, and Retained Earnings is as follows:

Direct Costs	2009	2008
Investment services	74,199	126,080
Custodial	6,606	7,445
Legal, audit, other	4,177	4,159
	84,982	**137,684**

The direct costs receivable reflects amounts not yet recovered from pooled investment portfolios or segregated investment clients, and the direct costs payable balance is the amount accrued and owing to direct cost service providers.

6. Capital Assets ($000's)

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Furniture, equipment	452	298	154	157
Computers and related software	1,354	1,131	223	297
Leasehold improvements and interests	1,653	703	950	265
	3,459	**2,132**	**1,327**	**719**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

7. Long-Term Employee Benefits ($000's)

	2009			2008		
	LTIP*	LSRA**	Total	LTIP*	LSRA**	Total
Accrual	1,992	762	2,754	2,674	684	3,358
Less short-term included in A/P & accrued liabilities - other	686	166	852	930	136	1,066

*LTIP - Long-Term Incentive Plan **LSRA - Long Service Retiring Allowance

The LTIP liability is an estimate of future payments to staff under the Long-Term Incentive Program. The LTIP liability has been classified as an other liability in accordance with accounting standards for the recognition and measurement of financial instruments and accordingly is accounted for at amortized cost. Management estimates the fair value of the long-term portion of the LTIP liability to be approximately $1.2 million (2008: $1.7 million) which was estimated by discounting the future cash flows using the current Government of Canada bond rate over a comparable term to maturity.

The LSRA estimate is the present value of the projected future liability for one-time payments that will be made to staff who, when they retire, will have more than 20 years of public sector service. The LSRA has been recorded in accordance with accounting standards for employee future benefits.

8. Related Party Transactions

The Corporation is related to all Province of British Columbia ministries, agencies and Crown corporations through common ownership. Related party transactions included in other accounts payable and accrued liabilities total $97,000 (2008: $200,000).

Transactions with these entities are in the normal course of operations and are recorded at the exchange amounts. Services obtained from the Province and Crown corporations during the year totaled $514,000 (2008: $426,000), which included $352,000 (2008: $277,000) for system operations and $162,000 (2008: $149,000) for office and business services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

9. Commitments

The Corporation leases premises under various operating leases which expire in 2010 and 2017. The Corporation is currently in negotiations to renew the lease for its office space. Future minimum payments, based on current lease agreements, by fiscal year, and in aggregate, are as follows:

2010	$ 838,000
2011	90,000
2012	90,000
2013	90,000
2014	90,000
Thereafter	270,000
	$ 1,468,000

10. Financial Instruments and Risk Management

Fair Value

The carrying value of all financial instruments except the Long-Term Incentive Plan (LTIP) (see note 7), approximate their fair value due to their short-term nature.

Risk Management

In the ordinary course of operations, the Corporation may be exposed to risk arising from its financial instruments as follows:

a) Credit Risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash equivalent and accounts receivable.

The Corporation's cash equivalent is described in note 4 and consists of units in money market pooled funds managed by the Corporation. The accounts receivable relate to fees and other amounts receivable from pooled investment portfolios managed by the Corporation and are generally short-term in nature.

Due to the Corporation's role as fund manager for the pooled funds and the highly liquid nature of the Corporation's cash equivalent, management does not believe the Corporation is exposed to significant credit risk.

b) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation operates on a cost recovery basis and recovers all of its expenses through the pooled funds and segregated client accounts it manages. Accordingly, management does not believe the Corporation is exposed to significant liquidity risk.

c) Currency Risk

Currency risk is the risk that the Corporation's financial instruments will fluctuate in value from changes in value of foreign currencies in relation to the Canadian dollar. The Corporation does not hold significant financial assets or have significant financial obligations denominated in, other than Canadian dollars. Accordingly, management does not believe the Corporation is exposed to significant currency risk.

d) Interest Rate Risk

Interest rate risk refers to the effect on the fair value or future cash flows of financial instruments due to fluctuation in both long-term and short-term nominal and real interest rates. The Corporation's cash equivalent is in units of money market investment portfolios where the underlying financial instruments re-price on a frequent basis. Other financial assets and liabilities have a short-term to maturity. Accordingly management does not believe the Corporation is exposed to significant interest rate risk.

e) Other Price Risk

Other price risk is the risk that the fair value of the Corporation's financial instruments will fluctuate because of changes in market prices, other than those arising from currency risk or interest rate risk. Management does not believe the Corporation's financial instruments are exposed to significant other price risk.

bcIMC giving back to the community

our community and industry involvement

making a positive difference in the community and industry in which we live and operate

MEMBERS FROM bcIMC'S UNITED WAY CAMPAIGN COMMITTEE FOR 2008.

AN ACTIVE PARTICIPANT IN THE INVESTMENT AND PENSION INDUSTRY

During the year bcIMC engaged in a number of pension industry-specific issues. Following our written submission to the Alberta-British Columbia Joint Expert Panel on Pension Standards in 2007, bcIMC interacted with the panel on bcIMC's recommendations. We also responded to the Department of Finance's call for comments on the federal *Pension Benefits Standards Act (Canada), 1985*. Copies of bcIMC's written submissions are available on our website.

We continued to collaborate with groups promoting good corporate governance and responsible investing. This includes the Asian Corporate Governance Association, Canadian Coalition for Good Governance, Carbon Disclosure Project, International Corporate Governance Network, and the United Nations Environment Programme Finance Initiative.

In the past year our staff addressed a variety of national and international conferences that included the Alternative Investments North America Summit Canadian Economics Association, PPI Asian Roundtable, and the U.S. Bancorp Economic Outlook Forum. Other events included the Pension Investment Association of Canada, the Risk Roundtable of Large Canadian Pension Plans, and the Toronto Real Capital Forum. We contribute to associations such as the Forum for Women Entrepreneurs, the Pacific Pension Institute, and the Pension Investment Association of Canada. Our staff are active members of groups that include the CFA Institute and the Canadian Association for Business Economics.

GUIDING THE INVESTMENT PROFESSIONALS OF THE FUTURE

We have established relationships with Camosun College, Simon Fraser University, the University of British Columbia, and the University of Victoria. This year we offered four-month work programs to nine students from these institutions. Students are integrated into departments and assigned investment and accounting projects. We also mentor portfolio management simulations and participate in investment-related panel discussions. bcIMC is represented on the SFU Executive Council and advises on the MBA course content.

CONTRIBUTING TO THE LOCAL COMMUNITY

Our staff donated over $55,000 to the United Way of Greater Victoria which assists 41 local charities. Our contributions and spirit have routinely earned bcIMC recognition. We recycle through the Blanshard Community Association and proceeds are used to fund their youth activities. We contribute to the Burnside Gorge Community Association's Christmas Hampers and participate in the Canadian Blood Services' Partner for Life program.

bcIMC's external managers and partners

AUDITORS
- Ernst & Young
- KPMG LLP

GLOBAL CUSTODIAN
- RBC Dexia Investor Services Trust

LEGAL ADVISORS
- Blake Cassels & Graydon LLP
- Lawson Lundell LLP
- Lane Powell PC
- McCullough, O'Connor & Irwin LLP

MORTGAGES
- Bentall Capital LP
- Canadian Mortgage Loan Services Ltd.
- Tricon Capital Group Inc.

PRIVATE PLACEMENTS
- Adams Street Partners LLC
- Advent International Corporation
- Affinity Equity Partners
- AIG Capital Partners, Inc.
- AIG Highstar Capital LLC
- Apollo Management
- ArcLight Capital Partners LLC
- AsiaVest Partners, TCW/YFY (Taiwan) Ltd.
- Banyan Capital Partners
- BC Partners Ltd.
- Birch Hill Equity Partners Management Inc.
- Blackstone Management Partners LLC
- Bridgepoint Capital Limited
- Brookfield Asset Management Inc.
- CAI Advisors & Co.
- Callisto Capital Management
- Canaan Partners
- Candover Partners Ltd.
- Carlyle/Riverstone Renewable Energy Partners
- Cartesian Capital Group LLC
- Cascadia Partners LLC
- Celtic House Venture Partners
- Cinven Capital Management Ltd.
- CVC Asia Pacific (Japan) Ltd.
- CVC Capital Partners Ltd.
- Draper Fisher Jurveston
- Energy Capital Partners
- First Reserve Corporation
- Francisco Partners
- Glenmount International
- Greenstone Venture Partners
- GrowthWorks Capital Ltd.
- H&Q Asia Pacific
- HarbourVest Partners LLC
- Hellman & Friedman Capital Partners LLC
- HSBC Capital (Canada) Inc.
- IK Investment Partners
- Kern Energy Partners Management Ltd.
- Leonard Green & Partners
- Lumira Capital Corp.
- Macquarie Bank Limited
- MatlinPatterson Global Advisors LLC
- McKenna Gale Capital Inc.
- McLean Watson Capital Inc.
- Mercantile Bancorp Ltd.
- Mezzanine Management Ltd.
- MWI & Partners Inc.
- Norvest Capital Partners Inc.
- Oaktree Capital Management
- Pacven Walden Inc.
- PAI Partners S.A.S.
- PAMA Group Inc.
- Pantheon Ventures Limited
- Penfund Management Ltd.
- Polaris Venture Partners
- PrimePartners Asset Management Pte. Ltd.
- Richardson Capital Limited
- SVG Advisors Inc.
- Symphony Capital Partners (Asia) Ltd.
- Tailwind Capital Partners
- Telsoft Ventures Inc.
- Texas Pacific Group (TPG Capital)
- Tricor Pacific Capital, Inc.
- TriWest Capital Partners
- Unitas Capital Pte. Ltd.
- Ventures West Management Inc.
- Wayzata Investment Partners
- Western Technology Seed Fund Managers
- Wellspring Capital Partners
- Yaletown Venture Partners

PUBLIC EQUITIES
- Aberdeen Asset Management Asia Ltd.
- Acadian Asset Management
- Acuity Funds Ltd.
- Advisory Research, Inc.
- AllianceBernstein Institutional Investments
- Barclays Global Investors Canada Ltd
- Clay Finlay LLC
- Connor, Clark & Lunn Investment Management Ltd.
- GE Asset Management Canada
- Highstreet Asset Management Inc.
- ING Investment Management Canada
- Jarislowsky, Fraser Limited
- J.P. Morgan Asset Management
- Montag & Caldwell Investment Counsel Inc.
- Oechsle International Advisors LLC
- Pictet Asset Management Ltd.
- Pyramis Global Advisors
- Pyrford International Ltd.
- QIEF Management LLC
- T. Rowe Price Associates, Inc.
- TT International
- UBS Global Asset Management (Canada) Co.
- Van Berkom and Associates Inc.
- Wellington Management Company LLP

REAL ESTATE
- Apex LP
- Bentall Capital LP
- Brookfield Asset Management Inc.
- Delta Hotels Ltd.
- Doughty Hanson & Co.
- GWL Realty Advisor Inc.
- LaSalle Investment Management
- MGPA
- Pacific Capital
- Realstar Group
- SilverBirch Hotels and Resorts Ltd.

bcIMC

bcIMC's corporate officers

DOUG PEARCE
Chief Executive Officer and
Chief Investment Officer

DEAN ATKINS
VP, Mortgages

PAUL FLANAGAN
VP, Fixed Income

CHUCK SWANSON
VP, Real Estate

BRYAN THOMSON
VP, Equity Investments

LINCOLN WEBB
VP, Private Placements

ROBERT DES
TROIS MAISONS
VP, Legal Affairs and
General Counsel

LYNN HANNAH
VP, Consulting and
Client Services

CAROL IVERSON
VP, Human Resources

DARYL JONES
VP, Research and
Risk Measurement

SHAUNA LUKAITIS
VP, Trade Management
and Compliance

DAVID WOODWARD
VP, Finance and Operations

Eco-Audit
Environmental Benefits Statement

The bcIMC Annual Report is printed with vegetable based inks, on paper that is made from 100 per cent post-consumer recycled content. This stock is manufactured with renewable, non-polluting, wind-generated electricity, and is certified by the Forest Stewardship Council (FSC). The FSC logo is our assurance that the paper is sourced from suppliers that support the growth of responsible forest management. By using this environmentally friendly paper, bcIMC has saved the following resources:

trees	wastewater	solid waste	greenhouse gases	energy
33 fully grown	56,606 litres	409 kilograms	1,399 kilograms	10 million BTU's

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We welcome your comments and suggestions on our annual report.

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This annual report has been made carbon neutral by Zerofootprint.
The carbon emissions emitted by its printing, manufacturing, and transporting have been offset through ISO-compliant forestry projects.

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